

Comprehensive Annual Financial Report

City of Franklin, Wisconsin
For the Year Ended December 31, 2005



Franklin

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF FRANKLIN

FOR THE YEAR ENDED DECEMBER 31, 2005

**PREPARED BY THE
DEPARTMENT OF FINANCE**

**DIRECTOR OF FINANCE & TREASURER
CALVIN A. PATTERSON**

CITY OF FRANKLIN

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INTRODUCTORY SECTION

March 18, 2006

**Honorable Mayor, Common Council members
and Citizens of Franklin:**

Introduction

The Comprehensive Annual Financial Report of the City of Franklin, Wisconsin for the fiscal year ended December 31, 2005, is hereby submitted. State law requires that all general purpose local governments with a population over 25,000 publish within six months of the end of the fiscal year a complete set of financial statements presented in conformity with general accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Franklin (City). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Virchow, Krause & Company, LLP, a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

City Profile

The City, incorporated in 1956, is located in the southwestern corner of Milwaukee County. The City is 34.5 square miles in size and has a population of 32,548. Over the last ten years the City has experienced an average annual population increase of 2.4% per year. It is a residential community with a growing commercial and industrial base. It is generally considered to be one of the more desirable communities in the Milwaukee metropolitan area in which to live and work. The City provides a typical range of municipal services for a suburban community including police and fire protection; emergency medical/paramedic, health and sanitary services; building inspection and zoning control; and street, sanitary and storm sewer, and water construction and maintenance. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City operates under the mayor/council form of government. Policy making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring a city attorney. The City's mayor is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government and for appointing the heads of the various departments. The council is elected, by district, on a non-partisan basis. The Mayor and Council members serve staggered three-year terms. The City is organized into departments, headed by thirteen officials appointed by the Mayor or Director of Administration and confirmed by the Common Council. Numerous boards, commissions and committees allow for citizen involvement in government by providing a forum for policy input to the Council and guidance to the departments.

The City provides a full range of services, including police, fire protection and emergency medical services; street construction, maintenance of highways, streets and other infrastructure; recreational and cultural activities and sanitation services. Library service is provided through a separate Library Board that functions like a department of the City and engages the Library Director. Water service is provided through a separate Water Utility that functions like a department of the City. These two areas therefore have been included as an integral part of the City's financial statements. The City also is financially accountable for a legally separate Community Development Authority (Authority). The Authority was established to finance and construct a City Business Park located within the City of Franklin Tax Incremental Financing District No. II. The Authority's activities are reported within the City's financial statements. Additional information on the Authority can be found in Note 1 in the notes to the financial statements.

The budgetary process serves as the foundation of the City's financial planning and control system. The preparation of a forecast for the existing programs for the following year is prepared by the end of May. Departmental requests for personnel changes and new capital outlay expenditures are made by the end of June. The Mayor then reviews the forecast including recommended personnel and capital outlay expenditures and determines by mid July the personnel and capital outlay expenditures that will be included in the initial departmental requested budgets. The departments take this information and submit their requested budgets by mid August. The budgets are reviewed and the Mayor submits his requested budget by mid September. The Council through its Finance Committee reviews the requested budgets and submits a proposed budget to the Council by mid October. The Council is required to hold a public hearing on the proposed budget, usually at the beginning of November, and then adopts a final budget in early November. The adopted budget is prepared by fund, function (e.g. Public Safety), and department (e.g. Police).

Transfers of appropriations require the approval of the governing council. Budget-to-actual comparisons are provided in this report for each fund with an adopted budget. The General Fund comparison is presented in Exhibit F as part of the basic financial statements for the government funds and in Schedules 3 & 4 of the supplementary information. For governmental funds, other than the General Fund, with adopted budgets this comparison is presented in the supplementary information section of this report.

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the environment within that the City operates.

Economic Condition and Outlook

The pace of growth in Franklin in 2005 continued to be excellent. Both the residential sector and the non-residential sectors contributed. The 458 units of new residential construction was the second largest total in the last ten years. The value of non-residential permits was also the second largest in the last ten years. Future prospects for residential, commercial and industrial development continues to remaining positive.

Estimated Actual property values have grown at an average annual rate of 9.7% since 1995. For the first time the growth in the City was in excess of \$113 million. That growth has allowed the City to maintain a relatively low municipal tax rate while still funding the increased cost of services required as a result of the City's growth. The City also benefits from the economy in the Milwaukee metropolitan area.

Difficulty in budgeting at the State level resulted in cutbacks to local and schools budgets. The City was able to adjust its budget to compensate and was able to limit the tax rate increase to 1.89%. Overall tax rates ranged from -0.2% to 3.9% depending upon the school or sewer district of a property.

For the next two years the state budget has imposed levy limits upon local governments. The City of Franklin has been able to meet those limits for 2006 without layoffs to existing staff and hope that layoffs will not be necessary in 2007 the second year of the levy limits.

Residential Growth

Over the past ten years, residential valuation has grown at an average annual rate of 8.9%. In 2005 permits for 458 new equivalent residential units were issued. While there was a decrease from the prior year the value of the related residential construction increased by 15.4%. Increased growth from new construction is expected to continue as new subdivisions open. Overall, the City remains attractive to builders and potential residents.

Commercial and Industrial Growth

Over the past ten years, commercial and industrial valuation has grown at an average annual rate of 13.3%. In 2005, 49 building permits were issued for commercial and industrial projects. The value of those projects decreased by 4.3% from the 2004 activity due a the completion of a large commercial project in 2004.

The City's Business Park sold four parcels of land in 2005 bringing the total acres sold to 91.2% of available land. The total incremental value of the Business Park, which comprises the City's TIF District No. 2, exceeded \$122 million equalized value at January 1, 2005. This value and the projected increases should generate sufficient tax increment to repay the existing TIF District debt two years prior to the last scheduled principal repayment in 2013.

Based on preliminary projections, when the TIF District No. 2 is closed out (currently expected to be in 2011), over \$150 million of additional value is expected to be added to the general tax rolls.

Anticipated residential growth will continue to place demands on the commercial sector for goods and services that, in turn, is expected to continue the trend of commercial growth. Expansion of the commercial and industrial tax base is a goal of the City with respect to the overall tax rate, as 75% of the City's property value is currently residential. Future tax relief will need to come from industrial and commercial tax base expansion.

Organizational and Service Growth

The year 2005 was a year of transition for the City. A new Mayor, Police Chief and City Development Director settled into their new roles. The City initiated two new TIF Districts to respond to growth opportunities in the northeast and southeast portions of the City.

The challenge for the operating departments in 2005 was to maintain the service levels at a time of limited revenues to the City and a growth of 4.9% in new properties. Limited tax growth did not provide resources to expand services. However, no employment cutbacks were necessary.

2005 was not a City-wide property re-assessment year. The last re-assessment was done in 2003. Performing revaluations on a regular basis is in line with the Common Council's past policy decision to increase the frequency of assessment re-determinations in order to keep property values more in line with current market values. The State determined that the local assessments were 88.7% of fair value.

With the growth of the community, planning and zoning issues continued to receive much attention. To be sure that new development pays its fair share of the infrastructure costs the impact fees are charged for new development. The expansion and development of parks also continue to receive attention. The Parks Commission is beginning to implement the Comprehensive Outdoor Recreation Plan that has been developed. The Health Department increased its outreach to the local schools and continued offering immunizations at businesses in the Business and Industrial Parks, including Hepatitis B vaccines.

Grant Controls

As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with laws and regulations applicable to those programs. This internal control structure is subject to periodic evaluation by management. The results of the City's audit for the fiscal year ended December 31, 2005 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws or regulations. If the level of grant expenditures exceeds an established level, currently \$500,000, a single audit of grants is required. The City was not required to have a single audit of grants for 2005.

Budgeting Controls

The City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Common Council. Activities of the General Fund, Library Fund, Sanitary Sewer Fund, Debt Service Fund, Capital Outlay Fund, Capital Improvement Fund, Equipment

Replacement Fund and Street Improvement Fund are included in the annual appropriated budget. The legal level for budgetary control is at the function level (e.g. public safety) within individual funds. The legal level of control is defined as the level at which expenditures cannot legally exceed the appropriated amount without a resolution approved by Common Council. Any unencumbered appropriations lapse at year end.

Cash Management

Temporary idle cash is pooled and invested in demand deposits, savings deposits and the State of Wisconsin Local Government Investment Pool. Longer term cash reserves are invested by an investment manager in commercial paper, U.S. Treasury notes, Government Agency instruments, corporate notes and U.S. Treasury money market funds. Interest income from these programs are allocated to the various funds based on their respective balances of the pooled investments.

Risk Management

The City is exposed to a wide variety of risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care for its employees. Third-party insurance is maintained for workers' compensation, property, liability and all other potential losses. The City offers full time and some part time employees a group health and dental plan, which is self-insured by the City. The risk of this plan is reduced through the purchase of an excess loss health insurance policy with a 2005 deductible of \$50,000 per covered participant.

Pension and Other Post employment benefits

The City provides pension benefits to its employees. The public works, sewer and water and maintenance employees are covered by a single employer defined benefit pension plan. The Police and Fire employees are covered by the Wisconsin Retirement System pension program and the remainder of eligible employees are covered by a defined contribution pension plan. In addition to pensions, the City also provides postretirement health and dental care benefits for certain retirees and their dependants. As of the end of the current fiscal year there were 18 retired employees receiving some type of postretirement benefits. The benefits are financed on a pay-as-you-go basis. GAAP does not currently require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. In 2004, the Government Accounting Standards Board (GASB) adopted Statement No. 45, Accounting for post employment benefits. The effective date for the implementation of GASB No. 45 for the City is January 1, 2008. This new standard will require the City to account for post retirement health costs over the working lives of the employees.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City, Wisconsin for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the thirteenth consecutive year that the City has received this award.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to the GFOA to determine its eligibility for a 2005 Certificate.

Acknowledgments

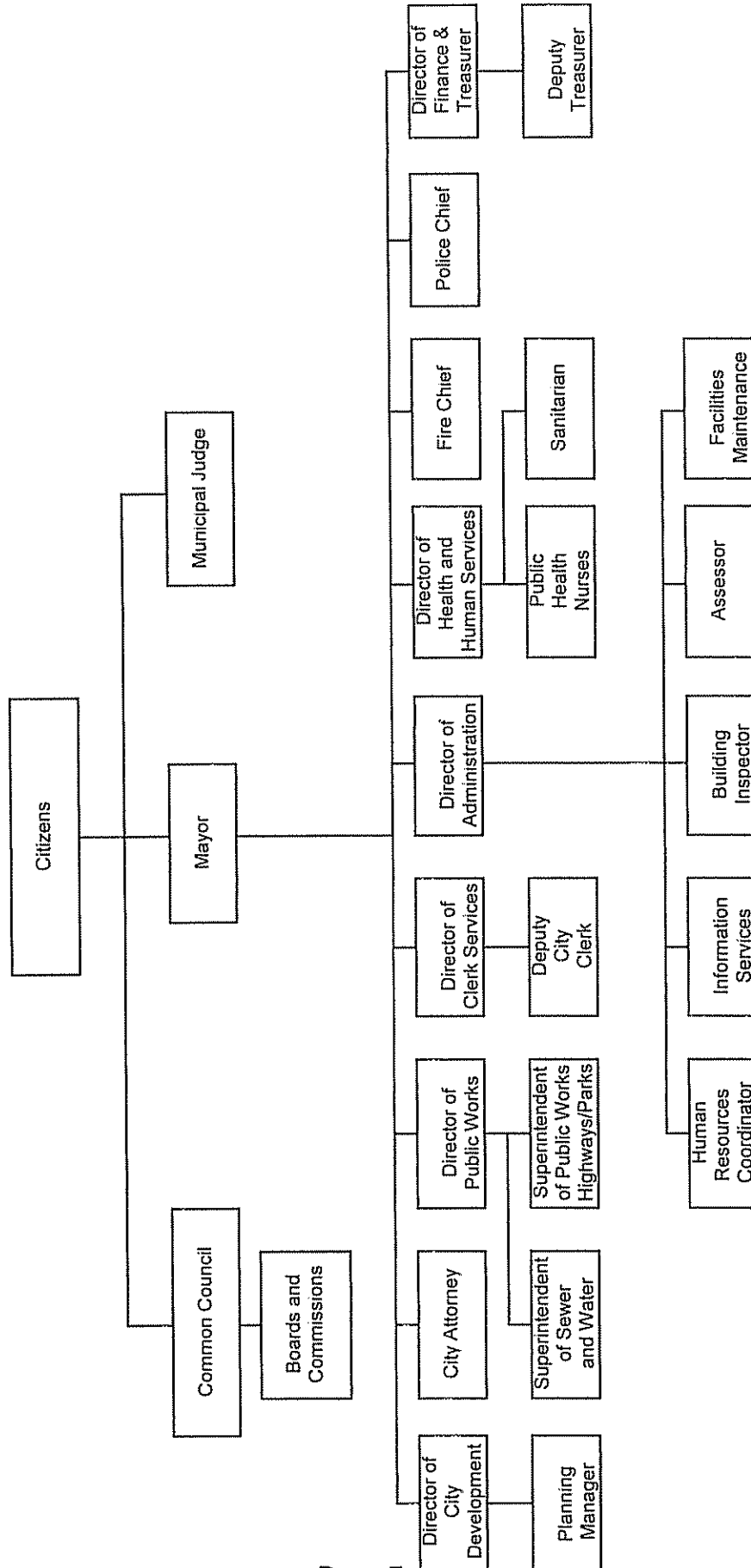
Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the Finance Department staff. Appreciation is also extended to all other City employees who contributed to its preparation. We also thank the Mayor, Common Council, and Finance Committee for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Calvin A. Patterson". The signature is fluid and cursive, with the first name "Calvin" and last name "Patterson" clearly distinguishable.

Calvin A. Patterson
Director of Finance & Treasurer

City of Franklin Organization Chart



**CITY OF FRANKLIN
LIST OF PRINCIPAL OFFICIALS**

Elected Officials

<u>Title</u>	<u>Name</u>
Mayor	Tom Taylor
Aldermen:	
District No. 1	Steve Olson
District No. 2	Tim Solomon
District No. 3	Al Hammelman
District No. 4	Pete Kosovich
District No. 5	Lyle Sohns
District No. 6	Ken Skowronski
Municipal Judge	Ron Wambach

Non-elected Officials

Assessor	Marty Kuehn
Building Inspector	Fred Baumgart
City Attorney	Jesse Wesolowski
City Clerk	Sandi Wesolowski
City Engineer/Public Works Director	John Bennett
City Development Director	Doug Wheaton
Director of Administration	Vacant
Director of Finance & Treasurer	Cal Patterson
Director of Health & Human Services	Bill Wucherer
Fire Chief	Jim Martins
Human Resources Coordinator	Dana Zahn
Library Director	Barbara Roark
Planning Manager	Vacant
Police Chief	Rick Oliva

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Franklin,
Wisconsin

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Mayor and Common Council
City of Franklin
Franklin, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Wisconsin, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Franklin's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information for the enterprise funds has been derived from the City of Franklin's 2004 financial statements and, in our report dated March 11, 2005, we expressed an unqualified opinion on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Wisconsin, as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 12 through 24 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Mayor and Common Council
City of Franklin

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin's basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The "Letter of Transmittal" and "Statistical Section" listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Franklin, Wisconsin. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such information.

Virelow, Krause & Company, LLP

Milwaukee, Wisconsin
March 13, 2006

Management's Discussion and Analysis

As management of the City of Franklin (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities as of December 31, 2005, by \$104,001,623 (**net assets**). Of this amount, \$12,622,492 (**unrestricted net assets**) may be used to meet the government's ongoing obligations to citizens and creditors. The total net assets include infrastructure of the governmental funds installed during 2003, 2004 and 2005. Prior year's governmental funds infrastructure has not yet been included in these statements.
- The City's total net assets increased by a net amount of \$13,471,280. Investment in capital assets, net of related debt accounted for a \$11,155,929 increase, unrestricted net assets accounted for a \$1,706,455 increase with restricted net assets accounting for a \$608,896 increase.
- The City's governmental funds reported, as of December 31, 2005, combined ending fund balances of \$25,567,150, an increase of \$11,172,843 from the prior year. Approximately 46 percent of the total fund balance, or \$11,788,661, is available for spending at the government's discretion (**unreserved fund balance**).
- The unreserved fund balance as of December 31, 2005 for the general fund was \$6,411,669 or approximately 30 percent of total anticipated 2006 general fund expenditures.
- The City's Governmental activities debt increased by \$5,785,000 during 2005. The repayments of \$4,215,000 were offset by the issuance of \$10,000,000 in debt to be used for capital projects and TIF Districts purposes.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-like activities). The governmental activities of the City include general government, public safety, public works, health & human services, culture & recreation and conservation & development. The business-type activities include the Franklin Water Utility and the City Sanitary Sewer fund.

The government-wide financial statements include not only the City itself (known as the primary government) but also a legally separate Community Development Authority for which the City is financially accountable. Financial information for this blended component unit is reported as part of the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibits A & B of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General, Debt Service and TIF Districts Funds, that are considered to be major funds. Data from the remaining eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report.

The basic governmental fund financial statements can be found on Exhibits C, D, E & F of this report. These statements include a budgetary comparison statement of the General Fund.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, Library Fund, Capital Outlay Fund, Equipment Replacement Fund, Street Improvement Fund, Capital Improvement Fund, Sanitary Sewer Fund and the Franklin Water Utility. A budgetary comparison statement has been provided for all governmental funds demonstrating compliance with their budgets.

Proprietary funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Franklin Water Utility, the Sanitary Sewer Fund and the Internal Service Fund.

The basic proprietary fund financial statements can be found on Exhibits G, H & I of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The fiduciary funds maintained by the City are the Property Tax Agency Fund, that records the tax roll and tax collections for the City and other taxing jurisdictions, and other agency funds to record their activity.

The basic fiduciary fund financial statements can be found on Exhibit J of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 - 72 of this report.

Other information. In addition to the basic financial statements and accompanying notes, the combining and individual fund financial statements and schedules section presents combining statements in connection with non-major governmental funds, a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget complementing the statement included in the basic governmental fund financial statements, and other information related to the individual funds are presented immediately following the notes to the financial statements. These schedules 1 to 9 can be found on pages 73 – 87 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$104,001,623 and \$90,530,343 (as restated) at the end of 2005 and 2004 respectively.

CITY OF FRANKLIN NET ASSETS
December 31, 2005 and 2004

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 54,869,649	Restated \$ 40,984,926	\$ 3,474,370	\$ 3,159,958	\$ 58,344,019	Restated \$ 44,144,884
Capital assets	<u>40,697,119</u>	<u>35,200,666</u>	<u>85,098,937</u>	<u>81,402,130</u>	<u>125,796,056</u>	<u>116,602,796</u>
Total assets	<u>95,566,768</u>	<u>76,185,592</u>	<u>88,573,307</u>	<u>84,562,088</u>	<u>184,140,075</u>	<u>160,747,680</u>
Long-term liabilities	47,602,544	41,957,956	58,807	45,106	47,661,351	42,003,062
Current liabilities	<u>31,620,241</u>	<u>27,252,256</u>	<u>856,860</u>	<u>962,019</u>	<u>32,477,101</u>	<u>28,214,275</u>
Total liabilities	<u>79,222,785</u>	<u>69,210,212</u>	<u>915,667</u>	<u>1,007,125</u>	<u>80,138,452</u>	<u>70,217,337</u>
Net assets:						
Invested in capital assets, net of related debt	1,634,674	(5,824,448)	85,098,937	81,402,130	86,733,611	75,577,682
Restricted	4,467,246	3,656,415	178,274	132,035	4,645,520	3,788,450
Unrestricted	<u>10,242,063</u>	<u>9,143,413</u>	<u>2,380,429</u>	<u>2,020,798</u>	<u>12,622,492</u>	<u>11,164,211</u>
Total net assets	<u>\$ 16,343,983</u>	<u>\$ 6,975,380</u>	<u>\$ 87,657,640</u>	<u>\$ 83,554,963</u>	<u>\$ 104,001,623</u>	<u>\$ 90,530,343</u>

The largest portion of the City's net assets (approximately 83 percent, in both years) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these net assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Investment in capital assets accounted for \$86,733,611 and \$75,577,682 in 2005 and 2004 respectively of the year end net assets. The changes in capital assets were as follows:

	Capital Asset		Decrease in Capital	Net
	Additions	Depreciation	Related Debt	Increase
2005	\$ 11,919,412	\$ (2,726,152)	\$ 1,962,669	\$ 11,155,929
2004	\$ 24,264,433	\$ (2,604,524)	\$ 6,125,021	27,784,930

The major City project contributing to this increase in 2005 was the right of way acquisition for the extension of 31st Street and in 2004 was the Briarwood Sewer project. Infrastructure contributed by developers as part of developer's agreements contributed approximately \$3,872,000 in 2005 and \$6,210,000 in 2004 to the capitalized infrastructure through capital grants and contributions of governmental activities and \$3,181,000 in 2005 and \$7,352,000 in 2004 to capitalized infrastructure through capital grants and contributions for business-type activities.

In addition, during 2004 \$6,079,000 in capitalized infrastructure was acquired through capital grants and contributions for business-type activities by reacquiring water utility infrastructure at the expiration of a water service agreement with an adjoining community.

An additional portion of the City's net assets (approximately 4.2 percent in both years) represent resources that are subject to external restrictions on how they may be used. There were \$4,645,520 and \$3,788,450, respectively in those net assets that were restricted to specific purposes with the remaining balance of \$12,622,492 and \$11,164,211, in 2005 and 2004 respectively in unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal years the City was able to report positive balances in all three categories of net assets, as a government as a whole, as well as for its separate governmental and business-type activities.

There was a 2005 increase of \$810,831 in restricted net assets reported in connection with the governmental activities. The increase was due to the growth in utility improvement funds (\$364,000), the growth in impact fees (\$110,000) and the growth in other restricted funds (\$337,000).

There was a 2004 decrease of \$121,215 in restricted net assets reported in connection with the governmental activities. The decrease was primarily due to the use of debt service net assets to reduce outstanding debt (\$1,168,000), the use of utility improvement funds to pay for part of the Briarwood sewer improvement project (\$756,000) offset by the growth in available Development funds (\$1,766,000).

There was a 2005 increase of \$1,098,650 in unrestricted net assets reported in connection with the governmental activities. The major reason for the increase was the unused portion of a borrowing in the capital improvement fund (\$2,750,000).

There was a 2004 decrease of \$1,713,849 in unrestricted net assets reported in connection with the governmental activities. The major decrease was in the capital improvement fund (\$678,000) reflecting expenditures on projects that had received funding in prior years and the TIF Districts utilizing reserves to meet expenses (\$589,000).

Governmental activities. Governmental activities in 2005 increased the City's net assets by \$9,368,603 accounting for 70 percent of the total growth in the net assets of the City. Elements of this increase follow:

- Increase due to the reduction in Long term Debt of \$4,022,155
- Increase in governmental activities capital assets net of depreciation of \$5,496,453
- Net increase from general fund activities of \$678,236
- Net decrease from internal service activities of \$26,049
- Net decrease from special assessment activities of \$802,192

Governmental activities in 2004 increased the City's net assets by \$11,204,548 accounting for 39 percent of the total growth in the net assets of the City. Elements of this increase follow:

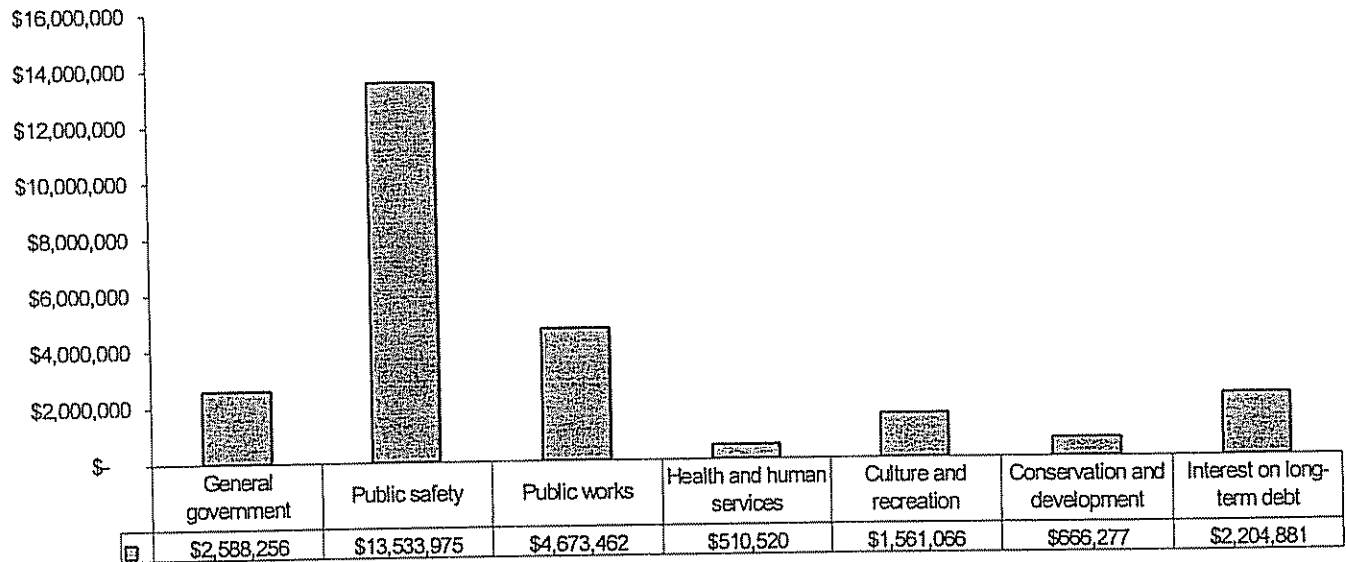
- Increase due to the reduction in Long term Debt of \$4,000,307
- Increase from TIF District activities of \$1,650,138
- Increase in governmental activities capital assets net of depreciation of \$6,682,169
- Net decrease from general fund activities of \$915,651
- Net decrease from internal service activities of \$97,434
- Net decrease from special assessment activities of \$114,981

The details of governmental activities changes in net assets follow:

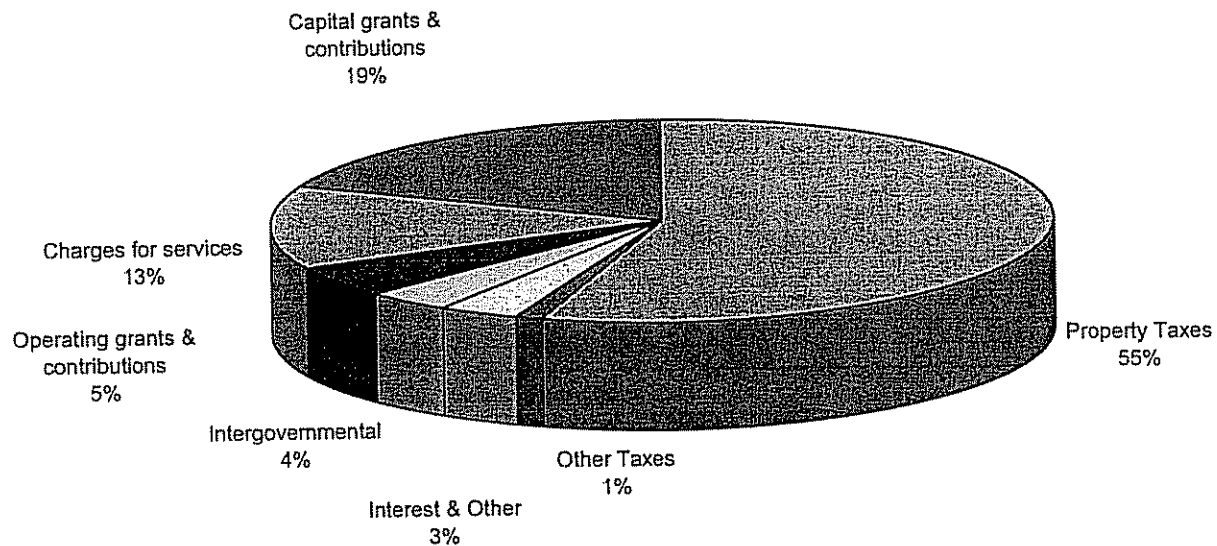
**City of Franklin Changes in Net Assets
For the Year Ending December 31, 2005 and 2004**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
	Restated					Restated
Revenue						
Program revenue:						
Charges for services	\$ 4,784,345	\$ 4,525,973	\$ 5,547,932	\$ 4,325,814	\$ 10,332,277	\$ 8,851,787
Operating grants & contributions	1,838,699	1,886,800	-	-	1,838,699	1,886,800
Capital grants & contributions	6,728,526	10,048,400	3,181,334	13,431,131	9,909,860	23,479,531
General revenue:						
Property taxes	19,805,791	18,537,786	-	-	19,805,791	18,537,786
Other taxes	381,116	376,038	-	-	381,116	376,038
Intergovernmental	1,271,794	1,335,925	-	-	1,271,794	1,335,925
Other	1,231,050	681,209	95,606	84,013	1,326,656	765,222
Total revenue	<u>36,041,321</u>	<u>37,392,131</u>	<u>8,824,872</u>	<u>17,840,958</u>	<u>44,866,193</u>	<u>55,233,089</u>
Expenses:						
General government	2,588,256	2,535,943	-	-	2,588,256	2,535,943
Public safety	13,533,975	13,054,488	-	-	13,533,975	13,054,488
Public works	4,673,462	4,233,338	-	-	4,673,462	4,233,338
Health & Human services	510,520	538,850	-	-	510,520	538,850
Culture & Recreation	1,561,066	1,428,499	-	-	1,561,066	1,428,499
Conservation & development	666,277	384,702	-	-	666,277	384,702
Interest on long-term debt	2,204,881	2,378,118	-	-	2,204,881	2,378,118
Water	-	-	3,307,057	2,572,320	3,307,057	2,572,320
Sewer	-	-	2,349,419	2,143,916	2,349,419	2,143,916
Total expenses	<u>25,738,437</u>	<u>24,553,938</u>	<u>5,656,476</u>	<u>4,716,236</u>	<u>31,394,913</u>	<u>29,270,174</u>
Increase in net assets before transfers	10,302,884	12,838,193	3,168,396	13,124,722	13,471,280	25,962,915
Transfers	(934,281)	(1,633,645)	934,281	1,633,645	-	-
Increase in net assets	9,368,603	11,204,548	4,102,677	14,758,367	13,471,280	25,962,915
Net assets - beginning	6,975,380	(4,229,168)	83,554,963	68,796,596	90,530,343	64,567,428
Net assets - ending	<u>\$ 16,343,983</u>	<u>\$ 6,975,380</u>	<u>\$ 87,657,640</u>	<u>\$ 83,554,963</u>	<u>\$ 104,001,623</u>	<u>\$ 90,530,343</u>

Expenses by Function - Governmental Activities



Revenue by Source - Governmental Activities



Business-type activities. In 2005, business-type activities increased the City's net assets by \$4,102,677 or 4.9 percent from the prior year. The key elements of this increase follow:

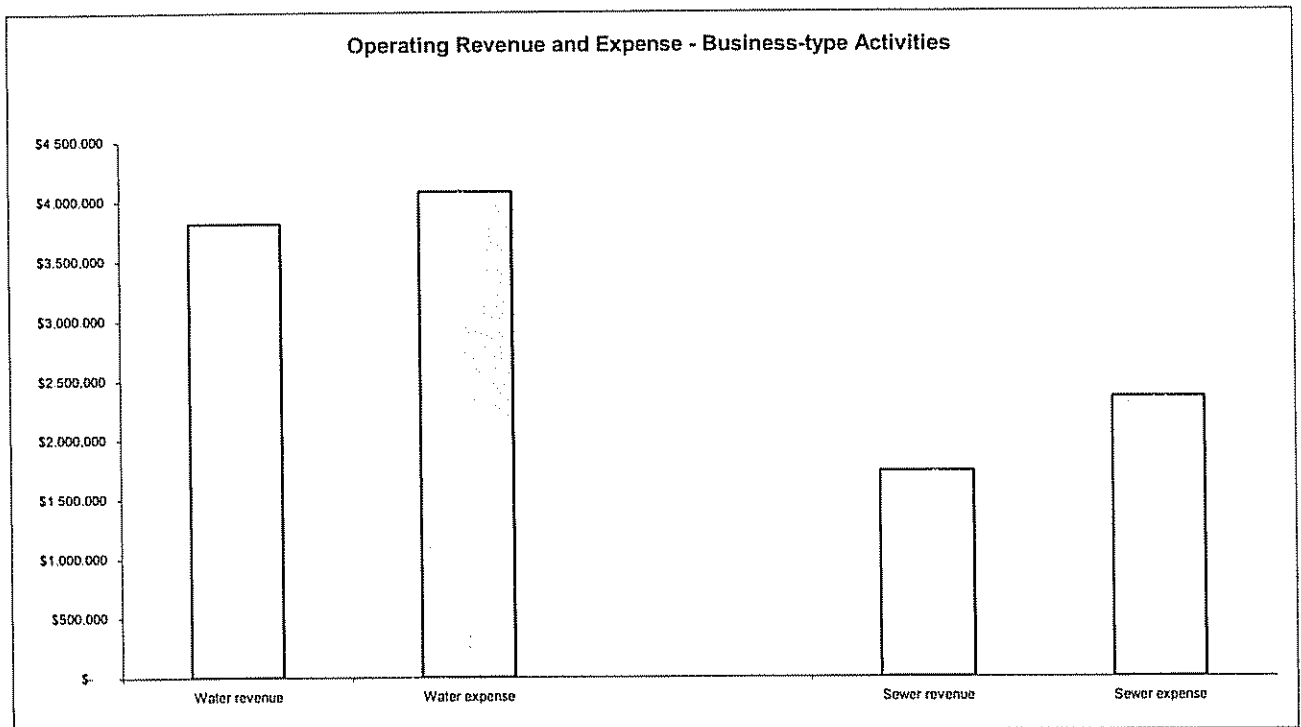
Business-type activities. In 2005, business-type activities increased the City's net assets by \$4,102,677 or 4.9 percent from the prior year. The key elements of this increase follow:

- The income from operations excluding capital contributions and its related depreciation expense - \$189,718. The goal of the business activities is to provide these services at a break even basis to minimize the cost to the users. The year 2005 was a dry year that resulted in greater return from water operations than planned.
- Developer contributions of water infrastructure - \$3,091,294 consisting of thirteen developer projects and two City projects
- Developer contributions of sewer infrastructure - \$1,802,150 consisting of eleven developer projects
- Depreciation expense related to contributed assets - \$980,485

In 2004, business-type activities increased the City's net assets by \$14,758,367 or 21.5 percent from the prior year. The key elements of this increase follow:

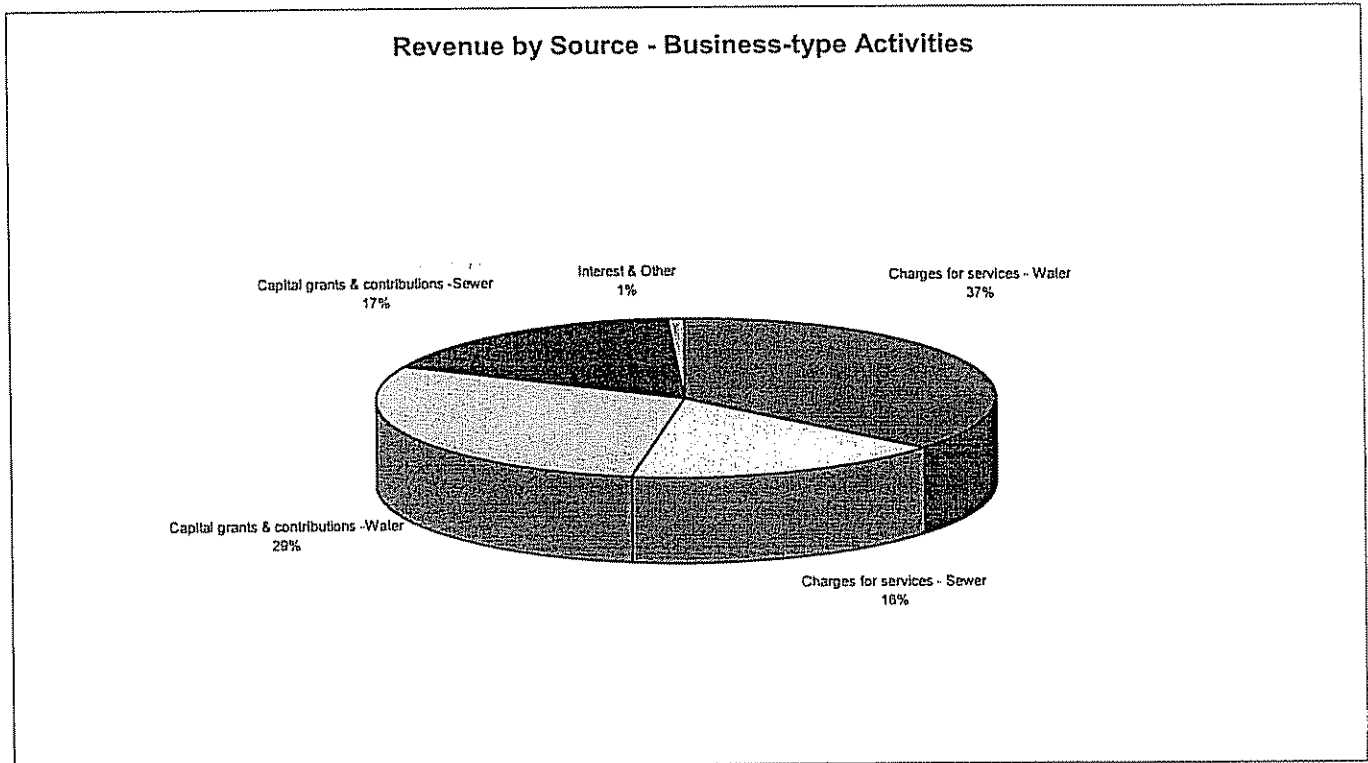
- The (loss) from operations excluding capital contributions and its related depreciation expense - \$(126,885). The goal of the business activities is to provide these services at a break even basis to minimize the cost to the users.
- Developer contributions of water infrastructure - \$3,567,696 consisting of ten projects
- Developer contributions of water infrastructure - \$6,078,824 from the water utility reacquiring infrastructure at the expiration of a water service agreement
- Developer contributions of sewer infrastructure - \$6,052,718 consisting of nine developer projects, one other government entity project and one City project
- Depreciation expense related to contributed assets - \$813,986

The following graph compares the 2005 charges for services to the operating expenses for water and sewer activities.



Water and Sewer expenses exceed revenue due to the current policy of only including depreciation from City spending on Capital assets in the rate formula. The large amount of new infrastructure that is being installed each year is the reason for this policy. When maintenance and replacement costs begin to increase this policy may need to be reevaluated.

As shown on the following chart, the Business-type revenue includes capital grants and contributions, investment earnings and miscellaneous income in addition to charges for services (operating revenue).



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's **governmental funds** is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,567,150, an increase of \$11,172,843 in comparison with the prior year. Approximately 46 percent or \$11,788,661 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already

been committed 1) to pay debt service (\$2,001,554), 2) for TIF District purposes (\$6,717,987) 3) for utility improvement purposes (\$1,129,596), 4) for development purposes (\$2,853,329), 5) for library purposes (\$248,174), 6) uncompleted contracts (\$385,000) and 7) for emergency medical services, prepaid expenses, inventories, encumbrances, donations and grants (\$442,849).

Of the \$11,788,661 unreserved fund balance, the use of \$5,376,992 or approximately 46 percent was committed to specific types of activities; i.e., \$218,770 for special revenue fund activities, and \$5,158,222 for capital project activities.

The **General Fund** is the chief operating fund of the City. As of December 31, 2005, the total fund balance of the general fund was \$6,469,060 of which \$6,411,669 was unreserved. This unreserved fund balance represents approximately 30 percent of 2006 total general fund expenditures.

The total fund balance of the general fund increased by \$186,222 in fiscal year 2005. The 2005 annual program budget for the City's general fund identified the appropriation of \$740,000 in fund balance to reduce the impact of taxes levied and to balance the budget. However, actual expenses were less than budgeted expenses by approximately 4 percent or \$812,124; actual revenue was more than budget revenue in the general fund by \$622,498 or approximately 3 percent and transfers to other funds were made totaling \$424,400. The increase in revenue can be attributed to increased development activity resulting in more permit and development review fees. While the underexpenditures resulted mainly from vacancy in authorized positions.

The **Debt Service Fund** has a total fund balance of \$8,719,541, \$2,001,554 of which is reserved for the payment of debt service and \$6,717,987 is reserved for advances made to TIF Districts fund. The debt service portion of the fund balance reflects an increase of \$1,874,988 due primarily to lower amounts of principal and interest being due during 2005.

Proprietary fund. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Utility at the end of the year amounted to \$1,485,963, an increase of \$436,506 from December 31, 2004. The growth in total net assets was \$2,902,499.

Unrestricted net assets of the Sanitary Sewer Fund at the end of the year amounted to \$894,466, a decrease of \$76,875 from December 31, 2004. The growth in total net assets was \$1,200,178.

The financial statements for the enterprise funds can be found on Exhibits G, H and I of this report.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor. There were additional appropriations that came from other departments or from the contingency budgeted.

As identified earlier, total actual revenue and other sources exceeded the budgeted revenue by \$622,498. Building permits exceeded their budgets due to increased development activity and by increased interest income accounting for most of the revenue increase.

Actual expenditures were less than budgeted expenditures by \$812,124. This amount was across all functions. The Police, Highway, Building Inspection and Community Development departments accounted for the largest portion of the under expenditures. The unused portion of the contingency budget was only \$56,725. The Health and Dispatch budgets provided additional underexpenditures reduced by overexpenditures in the fire, insurance and refuse collection budgets.

Because revenue increased and expenditures declined, the need to draw upon existing fund balance was unnecessary. The combination of favorable variances in revenue and expenditures enabled the fund balance to increase \$186,222.

Capital assets.

The City's investment in capital assets for its governmental and business type activities as of December 31, 2005, amounts to \$125,796,056 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings and machinery and equipment.

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 6,885,868	\$ 4,777,991	\$ 426,384	\$ 426,384	\$ 7,312,252	\$ 5,204,375
Buildings and Improvements	21,288,949	21,190,277	2,342,139	2,345,953	23,631,088	23,536,230
Improvements other than buildings	11,998,351	8,323,261	96,067,431	91,140,721	108,065,782	99,463,982
Machinery and and equipment	11,742,433	11,482,674	1,887,905	1,873,833	13,630,338	13,356,507
Construction in process	415,821	-	453	-	416,274	-
Total capital assets	52,331,422	45,774,203	100,724,312	95,786,891	153,055,734	141,561,094
Less Accumulated depreciation	(11,634,303)	(10,573,537)	(15,625,375)	(14,384,761)	(27,259,678)	(24,958,298)
Capital assets net of Depreciation	<u>\$ 40,697,119</u>	<u>\$ 35,200,666</u>	<u>\$ 85,098,937</u>	<u>\$ 81,402,130</u>	<u>\$ 125,796,056</u>	<u>\$ 116,602,796</u>

The total increase in the City's net investment in capital assets for the current fiscal year was a total of \$9,193,260 net of depreciation or a 8 percent increase.

For further details on capital asset activity, refer to Note 1(D)5, Note 4(D) of the Notes to Financial Statements and Schedules 8 – 8.2.

Long-term debt

At December 31, 2005, the City had general obligation note and bond issues outstanding totaling \$32,900,000. State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City is \$151,540,795. The City's current outstanding general obligation debt is 22% of the statutory debt limit. In the last 15 years the City has not exceeded 36 percent of the statutory debt limit. The City issued \$10,000,000 in new debt to support two new TIF Districts and its capital improvement activities. The City paid off the balance of the 1996 refunding bond issue, in addition to making required principal payments on the remaining debt issues that came due. The City's current "Aa2" rating from Moody's for its general obligation debt is an increase from the prior year.

The City also has outstanding \$17,715,000 of redevelopment revenue obligations that were issued in order to evidence a loan from the City's Community Development Authority (CDA) to the City. The CDA financed its loan to the City by issuing redevelopment lease revenue bonds. The proceeds of the redevelopment revenue obligations were used to finance the City's Business Park. The obligations are being repaid property tax revenue generated by the City's TIF District No. 2. The CDA debt is not subject to the City's statutory debt limit referred to in a preceding paragraph. In early 2006 the City borrowed \$10,000,000 in general obligation debt to enable the repayment of \$10,000,000 of lease revenue bonds.

The Franklin Water Utility has no debt outstanding. The Board of Water Commissioners intention is to generally avoid debt by maintaining and building cash and investments and from time to time making improvements to its rate structure. The utility's plan is to make future infrastructure improvements including water main replacement and new water service from current reserves and from City collected impact fees.

City of Franklin's Outstanding Debt (All purposes)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds and notes	\$ 32,900,000	\$ 24,800,000	\$ -	\$ -	\$ 32,900,000	\$ 24,800,000
Revenue bonds	17,715,000	20,030,000	-	-	17,715,000	20,030,000
Total	<u>\$ 50,615,000</u>	<u>\$ 44,830,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,615,000</u>	<u>\$ 44,830,000</u>

Additional information of the City's long-term debt can be found in note 4(F), Schedule 5 and Tables 10 – 12 in the statistical section of the report.

Economic Factors, Tax Rates and Next Year's Budgets

- The unemployment rate as of December 31, 2005 for the City was 3.4%, Milwaukee County which includes the City, is 5.2 percent. This compares with an unemployment rate of 4.5 percent for the State of Wisconsin.
- The local tax rate change for operations for the current and prior two years were 1.89%, -1.99% and 1.42%, respectively.
- The tax levy increase for operations for the current and prior two years were, \$1,085,689, \$206,760, and \$745,308, respectively.
- The 2006 budgets require a local tax rate that decreased 1.39% which together with growth will result in a tax levy increased of \$666,700 or 3.95 percent.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance & Treasurer or the Director of Administration, 9229 West Loomis Road, Franklin, WI 53132.

General information or more detailed financial and budget information relating to the City of Franklin, Wisconsin, can be found at the City's website, www.franklinwi.gov.

CITY OF FRANKLIN
Statement of Net Assets
December 31, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 30,090,925	\$ 2,118,980	\$ 32,209,905
Receivables			
Accounts receivable	774,692	1,254,098	2,028,790
Taxes receivable	20,901,434	177,125	21,078,559
Special assessments receivable	2,559,670	-	2,559,670
Internal balances	254,107	(254,107)	-
Due from other governments	196,461	-	196,461
Prepaid items	27,986	-	27,986
Inventories	20,437	-	20,437
Restricted cash and investments	-	178,274	178,274
Capital assets (net of accumulated depreciation)			
Land	6,885,868	426,384	7,312,252
Buildings and improvements	16,979,866	1,776,300	18,756,166
Machinery and equipment	4,680,039	755,067	5,435,106
Improvements other than buildings	11,735,525	82,140,733	93,876,258
Construction in progress	415,821	453	416,274
Deferred charges	43,937	-	43,937
Total assets	\$ 95,566,768	\$ 88,573,307	\$ 184,140,075
LIABILITIES			
Accounts payable	\$ 4,472,512	\$ 694,337	\$ 5,166,849
Accrued liabilities	1,161,256	21,666	1,182,922
Due to other governments	54,050	102,368	156,418
Accrued interest	700,796	-	700,796
Special deposits	325,800	1,000	326,800
Unearned revenue	20,449,969	-	20,449,969
Noncurrent liabilities:			
Due within one year	4,455,858	37,489	4,493,347
Due in more than one year	47,602,544	58,807	47,661,351
Total liabilities	79,222,785	915,667	80,138,452
NET ASSETS			
Investment in capital assets, net of related debt	1,634,674	85,098,937	86,733,611
Restricted for:			
Library	248,174	-	248,174
Utility improvements	1,129,596	-	1,129,596
Development	2,853,329	-	2,853,329
Other purposes	236,147	178,274	414,421
Unrestricted	10,242,063	2,380,429	12,622,492
Total net assets	\$ 16,343,983	\$ 87,657,640	\$ 104,001,623

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Activities
Year Ended December 31, 2005

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government activities:							
General government	\$ 2,588,256	\$ 148,803	\$ -	\$ -	\$ (2,439,453)	\$ -	\$ (2,439,453)
Public safety	13,533,975	2,715,134	245,839	-	(10,573,002)	-	(10,573,002)
Public works	4,673,462	1,543,476	1,309,100	6,716,620	4,895,734	-	4,895,734
Health and human services	510,520	91,767	245,435	-	(173,318)	-	(173,318)
Culture and recreation	1,561,066	212,301	38,325	11,906	(1,298,534)	-	(1,298,534)
Conservation and development	666,277	72,864	-	-	(593,413)	-	(593,413)
Interest on long term debt	2,204,881	-	-	-	(2,204,881)	-	(2,204,881)
Total governmental activities	25,738,437	4,784,345	1,838,699	6,728,526	(12,386,867)	-	(12,386,867)
Business-type activities:							
Water	3,307,057	3,815,195	-	1,519,889	-	2,028,027	2,028,027
Sewer	2,349,419	1,732,737	-	1,661,445	-	1,044,763	1,044,763
Total business-type activities	5,656,476	5,547,932	-	3,181,334	-	3,072,790	3,072,790
Total	\$ 31,394,913	\$ 10,332,277	\$ 1,838,699	\$ 9,909,860	(12,386,867)	3,072,790	(9,314,077)
General revenue:							
Property taxes levied for general purposes					14,576,353	-	14,576,353
Property taxes levied for debt service					2,310,000	-	2,310,000
Property taxes levied for TIF Districts					2,919,438	-	2,919,438
Other taxes					381,116	-	381,116
Intergovernmental revenue not restricted to specific programs					1,271,794	-	1,271,794
Investment earnings					1,111,774	44,096	1,155,870
Miscellaneous revenue					119,276	51,510	170,786
Transfers					(934,281)	934,281	-
Total general revenue and transfers					21,755,470	1,029,887	22,785,357
Change in net assets					9,368,603	4,102,677	13,471,280
Net assets - beginning (restated)					6,975,380	83,554,963	90,530,343
Net assets - ending					\$ 16,343,983	\$ 87,657,640	\$ 104,001,623

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Balance Sheet
Governmental Funds
December 31, 2005

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 6,779,141	\$ 2,144,492	\$ 7,280,175	\$ 13,614,660	\$ 29,818,468
Receivables					
Accounts receivable	608,733	57,062	17,178	36,664	719,637
Taxes receivable	12,903,041	2,594,039	2,860,368	2,543,986	20,901,434
Special assessments receivable	-	1,708,141	-	851,529	2,559,670
Due from other funds	254,107	-	-	-	254,107
Due from other governments	171,840	-	250	24,371	196,461
Prepaid items	17,954	-	-	10,032	27,986
Inventories	20,437	-	-	-	20,437
Long term advances	-	6,717,987	-	-	6,717,987
TOTAL ASSETS	\$ 20,755,253	\$ 13,221,721	\$ 10,157,971	\$ 17,081,242	\$ 61,216,187
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 578,675	\$ -	\$ 1,858,725	\$ 1,996,389	\$ 4,433,789
Accrued liabilities	634,195	-	15,000	16,680	665,875
Due to other governments	54,050	-	-	-	54,050
Special deposits	124,672	200,000	-	-	324,672
Deferred revenue	12,894,601	4,302,180	2,860,368	3,395,515	23,452,664
Long term advances	-	-	6,717,987	-	6,717,987
Total Liabilities	14,286,193	4,502,180	11,452,080	5,408,584	35,649,037
FUND BALANCES					
Reserved for:					
Inventories and prepaid items	38,391	-	-	10,032	48,423
Advances to other funds	-	6,717,987	-	-	6,717,987
Encumbrances	19,000	-	-	201,000	220,000
Subsequent years expenditures	-	-	-	623,142	623,142
Subsequent years debt service	-	2,001,554	-	-	2,001,554
Emergency medical services	-	-	-	16,624	16,624
Utility improvements	-	-	-	1,129,596	1,129,596
Development	-	-	-	2,853,329	2,853,329
Donations & grants	-	-	-	167,834	167,834
Unreserved balance (deficit) reported in:					
General Fund	6,411,669	-	-	-	6,411,669
Special Revenue Funds	-	-	-	218,770	218,770
Capital Project Funds	-	-	(1,294,109)	6,452,331	5,158,222
Total fund balances	6,469,060	8,719,541	(1,294,109)	11,672,658	25,567,150
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,755,253	\$ 13,221,721	\$ 10,157,971	\$ 17,081,242	\$ 61,216,187
Total fund balances of governmental funds					\$ 25,567,150
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in government funds are not financial resources and are not reported in the funds					40,697,119
Internal service net assets					(78,339)
Other long-term assets that are not available to pay for current period expenditures and are deferred in the funds					3,002,695
Long-term liabilities, including long-term debt, are not due and payable in the current period and are not reported in the funds					(52,844,642)
Net assets of governmental activities					\$ 16,343,983

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2005

	General	Debt Service	TIF Districts	Nonmajor Governmental Funds	Total Governmental Funds
REVENUE					
Taxes	\$ 12,668,469	\$ 2,310,000	\$ 2,919,438	\$ 2,289,000	\$ 20,186,907
Intergovernmental revenue	2,581,477	-	88,555	247,481	2,917,513
Licenses and permits	1,486,966	-	-	-	1,486,966
Fines, forfeitures and penalties	361,656	-	-	-	361,656
Public charges for services	1,398,810	689,060	-	-	2,087,870
Special assessments	-	641,445	-	2,979,369	3,620,814
Intergovernmental charges for services	591,834	-	-	-	591,834
Investment earnings	425,444	226,399	138,992	336,328	1,127,163
Miscellaneous revenue	149,013	-	178,663	478,429	806,105
Total Revenue	<u>19,663,669</u>	<u>3,866,904</u>	<u>3,325,648</u>	<u>6,330,607</u>	<u>33,186,828</u>
EXPENDITURES					
Current					
General government	2,314,862	-	-	-	2,314,862
Public safety	12,668,899	-	-	8,869	12,677,768
Public works	3,746,773	-	-	-	3,746,773
Health and human services	455,963	-	-	43,533	499,496
Culture, recreation and education	152,797	-	-	1,117,643	1,270,440
Conservation and development	491,582	-	89,308	74,038	654,928
Capital outlay	-	-	1,309,496	2,425,912	3,735,408
Debt service					
Principal	-	1,900,000	2,315,000	-	4,215,000
Interest	-	1,123,504	999,836	-	2,123,340
Debt issuance costs	-	-	32,375	13,875	46,250
Total Expenditures	<u>19,830,876</u>	<u>3,023,504</u>	<u>4,746,015</u>	<u>3,683,870</u>	<u>31,284,265</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(167,207)	843,400	(1,420,367)	2,646,737	1,902,563
OTHER FINANCING SOURCES (USES)					
Transfers in	777,829	545,014	-	2,163,624	3,486,467
Transfers out	(424,400)	-	(113,589)	(3,882,759)	(4,420,748)
General obligation debt issued	-	7,000,000	-	3,000,000	10,000,000
Premium on debt issued	-	204,561	-	-	204,561
Net change in fund balances	186,222	8,592,975	(1,533,956)	3,927,602	11,172,843
Fund balances - beginning (restated)	<u>6,282,838</u>	<u>126,566</u>	<u>239,847</u>	<u>7,745,056</u>	<u>14,394,307</u>
Fund balances - ending	<u>\$ 6,469,060</u>	<u>\$ 8,719,541</u>	<u>\$ (1,294,109)</u>	<u>\$ 11,672,658</u>	<u>\$ 25,567,150</u>

See accompanying notes to the financial statements

CITY OF FRANKLIN
Reconciliation of the Statement of Revenue
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended December 31, 2005

Net change in fund balances - total governmental funds	\$ 11,172,843
Amounts reported for governmental activities in the statement of activities (page 25) are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$3,033,631) exceeded depreciation (\$1,421,435) in the current period.	1,612,196
Contributed capital assets are reported as revenues in the statement of activities.	3,884,257
The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes current financial resources of government funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of differences in the treatment of long term debt.	(5,785,000)
Government funds report the effects of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of these items.	(150,396)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the government funds	(299,226)
Revenue in the statement of activities not providing current financial resources are not reported as revenue in the funds	54,083
Revenue in the governmental funds that provides current financial resources but has been previously reported as revenue in the statement of activities	(1,094,105)
Internal service fund change in net assets	(26,049)
Net change in net assets of governmental activities	<u>\$ 9,368,603</u>

CITY OF FRANKLIN
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (on a Budgetary basis)
Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE				
Taxes	\$ 13,403,300	\$ 13,403,300	\$ 13,446,298	\$ 42,998
Intergovernmental revenue	2,582,700	2,582,700	2,581,477	(1,223)
Licenses and permits	1,053,500	1,053,500	1,486,966	433,466
Fines, forfeitures and penalties	450,000	450,000	361,656	(88,344)
Public charges for services	1,329,800	1,329,800	1,398,810	69,010
Intergovernmental charges for services	548,000	548,000	591,834	43,834
Investment earnings	315,500	315,500	425,444	109,944
Miscellaneous revenue	136,200	136,200	149,013	12,813
Total Revenue	<u>19,819,000</u>	<u>19,819,000</u>	<u>20,441,498</u>	<u>622,498</u>
EXPENDITURES				
Current				
General government	2,637,312	2,574,162	2,311,862	262,300
Public safety	12,809,809	12,822,159	12,678,899	143,260
Public works	3,860,868	3,891,843	3,750,973	140,870
Health and human services	537,665	544,640	455,963	88,677
Culture and recreation	153,359	156,209	156,097	112
Conservation and development	559,987	569,987	393,082	176,905
Total Expenditures	<u>20,559,000</u>	<u>20,559,000</u>	<u>19,746,876</u>	<u>812,124</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(740,000)	(740,000)	694,622	1,434,622
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>(200,000)</u>	<u>(424,400)</u>	<u>(224,400)</u>
Net change in fund balance - budgetary basis	(740,000)	(940,000)	270,222	1,210,222
Adjustments to generally accepted accounting principles basis				
2005 encumbrances	19,000	19,000	19,000	-
2004 encumbrances	<u>(103,000)</u>	<u>(103,000)</u>	<u>(103,000)</u>	<u>-</u>
Net change in fund balance - generally accepted accounting principles basis	(824,000)	(1,024,000)	186,222	1,210,222
Fund Balances - beginning	<u>6,282,838</u>	<u>6,282,838</u>	<u>6,282,838</u>	<u>-</u>
Fund Balances - ending	<u>\$ 5,458,838</u>	<u>\$ 5,258,838</u>	<u>\$ 6,469,060</u>	<u>\$ 1,210,222</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Net Assets
Proprietary Funds
December 31, 2005
(with comparative information for the year ended December 31, 2004)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals		
ASSETS							
Current assets							
Cash and investments	\$ 1,236,234	\$ 746,633	\$ 882,746	\$ 845,286	\$ 2,118,980	\$	272,457
Receivables							
Accounts receivable	804,164	892,644	449,934	449,069	1,254,098		55,055
Taxes receivable	118,043	95,448	59,082	54,903	177,125		-
Due from other funds	145,355	113,905	-	53,977	145,355		-
Total current assets	2,303,796	1,848,630	1,391,762	1,403,235	3,695,558		327,512
Noncurrent assets							
Restricted cash and investments	-	-	178,274	132,035	178,274		-
Total restricted assets	-	-	178,274	132,035	178,274		-
Capital assets							
Land	115,465	115,465	310,919	310,919	426,384		-
Buildings and improvements	724,880	724,880	1,617,259	1,621,073	2,342,139		-
Improvements other than buildings	46,503,747	43,335,501	49,563,684	47,805,220	96,067,431		-
Machinery and equipment	1,369,043	1,360,057	518,862	513,776	1,887,905		-
Construction in progress	453	-	-	-	453		-
Less accumulated depreciation	(7,568,309)	(6,856,617)	(8,057,066)	(7,528,144)	(15,625,375)		-
Total capital assets (net of accumulated depreciation)	41,145,279	38,679,286	43,953,658	42,722,844	85,098,937		-
Total noncurrent assets	41,145,279	38,679,286	44,131,932	42,854,879	85,277,211		-
Total assets	\$ 43,449,075	\$ 40,527,916	\$ 45,523,694	\$ 44,258,114	\$ 88,972,769	\$	327,512

Continued

CITY OF FRANKLIN
Statement of Net Assets
Proprietary Funds
December 31, 2005

(with comparative information for the year ended December 31, 2004)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals		
LIABILITIES							
Current liabilities							
Accounts payable	\$ 413,063	\$ 483,034	\$ 281,274	\$ 317,850	\$ 694,337	\$ 38,723	
Accrued liabilities	425	391	21,241	23,400	21,666	366,000	
Due to other governments	102,368	102,368	-	-	102,368	-	
Due to other funds	252,829	173,089	146,633	50,853	399,462	-	
Special deposits	1,000	500	-	-	1,000	1,128	
Current portion of compensated absences	18,745	17,238	18,744	17,238	37,489	-	
Total current liabilities	788,430	776,620	467,892	409,341	1,256,322	405,851	
Noncurrent liabilities							
Accrued compensated absences	29,403	22,553	29,404	22,553	58,807	-	
Total noncurrent liabilities	29,403	22,553	29,404	22,553	58,807	-	
Total liabilities	817,833	799,173	497,296	431,894	1,315,129	405,851	
NET ASSETS							
Invested in capital assets	41,145,279	38,679,286	43,953,658	42,722,844	85,098,937	-	
Restricted for							
Sewer equipment replacement	-	-	178,274	132,035	178,274	-	
Unrestricted (deficit)	1,485,963	1,049,457	894,466	971,341	2,380,429	(78,339)	
Total net assets	\$ 42,631,242	\$ 39,728,743	\$ 45,026,398	\$ 43,826,220	\$ 87,657,640	\$ (78,339)	

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Revenue, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended December 31, 2005
(with comparative information for the year ended December 31, 2004)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals	
OPERATING REVENUE						
Metered sales	\$ 1,974,050	\$ 1,251,511	\$ 1,039,091	\$ 909,607	\$ 3,013,141	\$ -
Residential	794,103	619,272	401,135	351,574	1,195,238	-
Commercial	214,133	195,966	105,783	96,502	319,916	-
Public authority	215,665	195,477	171,299	143,149	386,964	-
Industrial	3,197,951	2,262,226	1,717,308	1,500,832	4,915,259	-
Total metered sales						2,802,968
Group health & dental charges	-	-	-	-	-	-
Public fire protection service	516,484	451,488	-	-	516,484	-
Private fire protection service	77,054	65,975	-	-	77,054	-
Forfeited discounts, penalties and other	23,706	31,041	15,429	14,252	39,135	-
Total operating revenue	3,815,195	2,810,730	1,732,737	1,515,084	5,547,932	2,802,968
OPERATING EXPENSES						
Cost of sales and services	2,227,658	1,589,789	1,556,855	1,439,584	3,784,513	2,839,275
Depreciation	705,561	578,708	599,156	541,105	1,304,717	-
Administration	373,838	403,823	193,408	163,227	567,246	-
Total operating expenses	3,307,057	2,572,320	2,349,419	2,143,916	5,656,476	2,839,275
Operating income (loss)	508,138	238,410	(616,682)	(628,832)	(108,544)	(36,307)
NON-OPERATING REVENUE (EXPENSES)						
Investment earnings	26,079	8,892	18,017	9,563	44,096	10,258
Sundry	49,324	60,203	2,186	5,355	51,510	-
Total non-operating revenue (expenses)	75,403	69,095	20,203	14,918	95,606	10,258
Income (loss) before capital contributions and transfers	583,541	307,505	(596,479)	(613,914)	(12,938)	(26,049)
Capital contributions	1,519,889	9,514,855	1,661,445	3,916,276	3,181,334	-
Transfers in	1,571,405	131,665	140,705	2,136,442	1,712,110	-
Transfers out	(772,336)	(629,811)	(5,493)	(4,651)	(777,829)	-
Change in net assets	2,902,499	9,324,214	1,200,178	5,434,153	4,102,677	(26,049)
Net assets - beginning	39,728,743	30,404,529	43,826,220	38,392,067	83,554,963	(52,290)
Net assets - ending	\$ 42,631,242	\$ 39,728,743	\$ 45,026,398	\$ 43,826,220	\$ 87,657,640	\$ (78,339)

See accompanying notes to the financial statements.

CITY OF FRANKLIN
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2005
(with comparative information for the year ended December 31, 2004)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Utility Current Year	Water Utility Prior Year	Sanitary Sewer Current Year	Sanitary Sewer Prior Year	Current Year Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,713,116	\$ 2,366,816	\$ 1,728,000	\$ 1,485,761	\$ 5,441,116	\$ 2,881,418
Receipts for interfund services provided	227,675	217,856	1,879	-	229,554	-
Payments to suppliers	(2,145,318)	(1,181,532)	(1,149,637)	(1,116,238)	(3,294,955)	(2,828,391)
Payments to employees	(386,818)	(362,251)	(409,484)	(347,615)	(796,302)	-
Payments for interfund services used	(82,150)	(79,300)	(82,150)	(79,300)	(164,300)	-
Net cash flows provided by (used in) operating activities	1,326,505	961,589	88,608	(57,392)	1,415,113	53,027
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer out - paid for tax equivalent	(775,989)	(633,039)	(1,840)	(1,423)	(777,829)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(86,994)	(351,818)	(21,086)	(46,497)	(108,080)	-
Net cash flows used in capital and related financing activities	(86,994)	(351,818)	(21,086)	(46,497)	(108,080)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment earnings	26,079	8,892	18,017	9,564	44,096	10,258
Net increase (decrease) in cash and cash equivalents	489,601	(14,376)	83,699	(95,748)	573,300	63,285
Cash and cash equivalents - Beginning	746,633	761,009	977,321	1,073,069	1,723,954	209,172
Cash and cash equivalents - Ending	\$ 1,236,234	\$ 746,633	\$ 1,061,020	\$ 977,321	\$ 2,297,254	\$ 272,457
Cash and Investments - Unrestricted	\$ 1,236,234	\$ 746,633	\$ 882,746	\$ 845,286	\$ 2,118,980	\$ 272,457
Cash and Investments - Restricted	-	-	178,274	132,035	178,274	-
	\$ 1,236,234	\$ 746,633	\$ 1,061,020	\$ 977,321	\$ 2,297,254	\$ 272,457

Continued

See accompanying notes to the financial statements.

CITY OF FRANKLIN

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2005

(with comparative information for the year ended December 31, 2004)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
	Water Utility	Water Utility	Sanitary Sewer	Sanitary Sewer	Current Year Totals	
	Current Year	Prior Year	Current Year	Prior Year		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 508,138	\$ 238,410	\$ (616,682)	\$ (628,832)	\$ (108,544)	\$ (36,307)
Adjustments to reconcile operating income (loss) to net cash flows provided by (used in) operating activities						
Depreciation	705,561	578,708	599,156	541,105	1,304,717	-
Depreciation allocated to other funds	6,734	6,161	(6,734)	(6,161)	-	-
Other nonoperating income	52,977	63,431	(1,467)	2,127	51,510	-
(Increase) decrease in assets						
Accounts receivable	88,480	(269,097)	(866)	(14,141)	87,614	78,450
Taxes receivable	(22,595)	(26,553)	(4,179)	(20,537)	(26,774)	-
Due from other funds	(45,704)	49,960	53,977	(2,076)	8,273	-
Increase (decrease) in liabilities						
Accounts payable	(69,971)	131,333	(36,576)	58,439	(106,547)	4,384
Accrued liabilities	252,863	(10,846)	(2,158)	(1,224)	250,705	6,500
Due to other governments	-	102,368	-	-	-	-
Due to other funds	(158,835)	93,751	95,780	10,244	(63,055)	-
Customer deposits	500	300	-	-	500	-
Compensated absences	8,357	3,663	8,357	3,664	16,714	-
Total Adjustments	818,367	723,179	705,290	571,440	1,523,657	89,334
Net cash flows provided by (used in) operating activities	\$ 1,326,505	\$ 961,589	\$ 88,608	\$ (57,392)	\$ 1,415,113	\$ 53,027
Noncash Capital Activities						
Cost of Utility plant installed and/or financed by external parties	\$ 1,519,889	\$ 9,514,855	\$ 1,704,925	\$ 3,916,276	\$ 3,224,814	\$ -

CITY OF FRANKLIN
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005

ASSETS	<u>Agency Funds</u>
Cash and investments	\$ 41,638,653
Taxes receivable	<u>10,287,184</u>
Total assets	<u>51,925,837</u>
 LIABILITIES	
Accounts payable	250,295
Due to other governments	51,664,607
Special deposits	<u>10,935</u>
Total liabilities	<u>51,925,837</u>
 Total net assets	 <u>\$ -</u>

See accompanying notes to the financial statements.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of the City of Franklin's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be reviewed as an integral part of the accompanying financial statements. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. A summary of the significant accounting policies follows:

A. REPORTING ENTITY

This report includes all of the funds of the City of Franklin. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. This report does not contain any discretely presented component units.

Blended Component Unit

The Community Development Authority (Authority) was created by the City in 1992 to serve as a financing vehicle for a certain Tax Incremental Financing (TIF) development within the City. The Authority is governed by a seven member board appointed by the Mayor and confirmed by the Common Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance the TIF development projects for the benefit of the City and its citizens. The Authority's operations are included in the governmental activities of the government-wide financial statements and in a TIF District special revenue fund. The Authority follows the accounting policies of the City. Separate financial statements are not published for the Authority.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business type activities. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange revenue. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services provided. The primary government is reported separately from a legally separate component unit that the primary government is financially accountable.

The statement of activities demonstrates the degree that direct expenses of a given segment or function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities.

Program revenue includes 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenue are reported as general revenue. Internally dedicated resources are reported as general revenue rather than as program revenue.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds with a fund considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, net assets/fund equity, revenue and expenditures/expenses.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter is excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental and proprietary fund statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

- a. Total assets, liabilities, revenue, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is important to financial statement users may be reported as a major fund.

Major Governmental Funds

General Fund – accounts for the City's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – accounts for resource accumulation from taxes, special assessments and other revenue along with payments made for principal and interest on long-term debt other than enterprise fund debt.

TIF Districts Fund – A Special Revenue fund that accounts for resource accumulation from the tax increment and other revenue along with payments made for capital outlay, other expenditures, principal and interest on long-term debt obligations of the TIF Districts.

Major Enterprise Funds

Water Utility Fund – accounts for operations of providing water services to City residents and bills for those services.

Sanitary Sewer Fund – accounts for the operations of providing sanitary sewer services for City residents and bills for those services.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

In addition the City reports:

Non-Major Governmental Funds

Special Revenue Funds – account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The funds include Library, Master Plan, Donations, Civic Celebrations and Grants.

Capital Projects Funds – account for resources accumulated to be used for the purchase of equipment, street replacement, acquisition of land and the construction of capital improvement projects. The funds include Capital Outlay, Equipment Replacement, Capital Improvement, Street Improvement, Utility Improvement and Development.

Other Fund Types

Internal Service funds – account for the payment of group health and dental charges for services and stop loss insurance charges by the City and the billing of departments or agencies of the City on a cost-reimbursement basis for the services received.

Agency funds – account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and /or governmental units. The agency funds include a property tax fund and an other agency fund that records the agency activity for emergency government, monitoring and siting activities funded by others.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenue, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenue in the year that they are levied.

Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenue when services are performed.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

Government-Wide Financial Statements (Continued)

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water utility and sanitary sewer fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recorded when it is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivable and deferred revenue and are recognized as revenue in the next year when services financed by the levy are provided.

Intergovernmental aids and grants are recognized as revenue in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City that are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are recorded as deferred revenue.

Special assessments levied for benefits to property owners for installation of sanitary sewers, water mains, roads, and other improvements are recorded as revenue when they become measurable and available. Annual installments due in future years are recorded as receivables and deferred revenue.

Revenue susceptible to accrual include property taxes, room taxes, public charges for services, permits and interest. Other general revenue such as fines and forfeitures, licenses and miscellaneous revenue are recognized when received or when measurable and available under the criteria mentioned above.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

Fund Financial Statements (continued)

Deferred revenue is reported on the governmental funds balance sheet. Deferred revenue arises from taxes levied in the current year that are for subsequent year's operations. For governmental funds financial statements deferred revenue arises where potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary funds financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting. Agency fund financial statements are reported using the accrual basis of accounting and do not have a measurement focus.

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal operations. The principal operating revenue of the water and sanitary sewer funds are charges to customers for sales and services provided. The rates billed in the water utility are approved by the Public Service Commission. Sanitary sewer charges are billed at rates established by City policy based on the charges received from the Milwaukee Metropolitan Sewage District.

Operating expenses for proprietary funds include the cost of sales and services, administration and depreciation on capital assets. Revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures/ expenses during the reporting period. Actual results could vary from those estimates.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Cash and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments of City funds are restricted by state statutes. Investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, City, drainage district, technical college district, village, town or school district of the State of Wisconsin. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The Local Government Investment Pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category assigned of a nationally recognized rating agency.
6. Securities of an open-ended management investment company or investment trust subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The City has adopted an investment policy. That investment policy restricts allowable investments to investments that follow state statutes. In addition the investment policy:

1. Does not address Custodial Credit Risk.
2. Limits credit risk by restricting investments to a minimum rating of AA by both Moody's and Standard & Poor's.
3. Limits concentration of credit risk by limiting any one issuer or asset class to less than 10% of the market value of the portfolio with the exception of U.S. Government Treasury and Agency securities.
4. Limits Interest Rate Risk by specifying that a minimum amount of cash equivalents be maintained, the average life of the portfolio shall not exceed 2 ½ years and no individual issue shall have a maturity exceeding 5 years at the date of purchase.
5. Limits investments highly sensitive to market changes through its duration and diversification policies. No highly sensitive investments are in the investment portfolio.
6. Prohibits the investment in foreign owned securities.
7. Limits derivative type investments to those that have a final maturity or seven years or less.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

1. Cash and Investments (continued)

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average investment balances.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw funds in total on one day's notice. At December 31, 2005, the fair value of the City's share of LGIP assets was substantially equal to the amount reported in these statements.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the municipality, taxes are collected for and remitted to the state government, county government, local school districts, technical college district and metropolitan sewerage district. Taxes for all state and other local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund balance sheet. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof

Property tax calendar – 2005 tax roll:

Lien date and levy date	December 2005
Tax bills mailed	December 2005
Payment in full, or	January 31, 2006
First installment due	January 31, 2006
Second installment due	March 31, 2006
Third installment due	May 31, 2006
Personal property taxes in full	January 31, 2006
Final tax settlement with County	August 15, 2006
Tax deed by County – 2005	
Delinquent real estate taxes	October 2008

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

2. Receivables (continued)

Accounts receivable have been shown net of an allowance for uncollectible accounts. No provision for uncollectible accounts receivable has been made for enterprise funds because of their right by law to place delinquent bills on the tax roll.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds". Long term interfund loans (non-current portion) are reported as "advances from and to other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and the proprietary activities are reported in the government-wide financial statements as "internal balances".

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

3. Inventories and Prepaid Items

Governmental fund inventory items, except fuel inventory, are charged to expenditures when purchased. The fuel inventory is recorded at cost on a first in first out basis using the consumption method of accounting. Year end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for sale. Material and supplies on hand at year end are considered immaterial.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregation of assets are presented as restricted assets. Such segregation is required by bond agreements and other external parties. Current liabilities payable from restricted assets are so classified. The excess of restricted assets over current liabilities will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

5. Capital Assets

Government-Wide Statements

In the government-wide financial statements, capital assets are recorded on the financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,000 for general capital assets and \$10,000 for infrastructure assets and an estimated useful life of three years or more. All capital assets are recorded at historical cost or at estimated historical cost if actual amounts are not available.

Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to January 2003, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34 governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation.

Retroactive reporting of all major general infrastructure assets is encouraged but not required until January 1, 2007 when GASB 34 requires the City to retroactively report all major general infrastructure assets acquired since January 1, 1980. For the year ended December 31, 2005, the City has not retroactively reported all network infrastructure acquired by its governmental fund types.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest from temporary investment of borrowed fund proceeds. No net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by asset type of follows:

Buildings and improvements	20-50 Years
Machinery and Equipment	5-30 Years
Water and sewer systems	20-100 Years
Infrastructure	30-90 Years

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

5. Capital Assets (continued)

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same in the government-wide statements.

6. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

7. Compensated Absences

Under terms of employment, employees may earn compensatory time and are granted sick leave, severance pay and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested compensatory time, sick leave, severance pay and vacation pay are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements and are payable with expendable available resources.

Payments for vested compensatory time, sick leave, severance pay and vacation pay will be made at rates in effect when the benefits are used. Accumulated vested compensatory time, sick leave, severance pay and vacation pay liabilities are determined on the basis of current salary rates and include salary related payments.

The City also provides postemployment health and dental care benefits for all eligible employees. Eligibility and benefit levels are based on contractual agreements with employee groups, City ordinances and employee benefit policies. Some employees may leave their accumulated severance to pay for their portion of health care premiums. The City contribution to postretirement health care is 75% of the year of retirement premium cost with the employee paying any balance due plus the cost of any dental benefit selected. The City's portion of health care cost is recognized as expenditure in the period premiums are paid. Funding for those costs is provided out of the current operating budget of the City. The contributions are financed on a pay as you go basis.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

8. Long-term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt (plus any premium) is reported as other financing sources and payments of principal and interest are reported as expenditures. The proprietary fund accounting is the same as it is in the government-wide statements.

For the government-wide and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

The City has approved issuance of industrial development revenue bonds (IDRB) for the benefit of private business enterprises. IDRB's are secured by mortgages or revenue agreements on associated projects of the business enterprises and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the financial statements.

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the government funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in governmental fund financial statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

10. Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets less any unspent debt proceeds.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

11. Comparative data

The basic financial statements include comparative data for the prior year for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in financial position and operations of these funds. This comparative data is not at the level of detail required for a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2004, from which the data was derived.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “other long term assets that are not available to pay for current period expenditures and therefore are deferred in the funds”. The details of this difference are as follows:

Special Assessments	<u>\$3,002,695</u>
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Capital assets used in government funds are not financial resources and, therefore, are not reported in the funds.

Land	\$6,885,868
Buildings	21,288,949
Machinery and equipment	11,742,433
Infrastructure	11,998,351
Construction in progress	415,821
Less: Accumulated depreciation	<u>(11,634,303)</u>
Adjustment for capital assets	<u>\$40,697,119</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported in the statement of net assets.

General obligation debt	\$32,900,000
Lease revenue bonds	17,715,000
Deferred amounts for premiums	194,333
Unamortized debt issue costs	(43,937)
Compensated absences	1,249,069
Net pension obligation	129,381
Accrued interest	<u>700,796</u>
Combined adjustment for long-term liabilities	<u>\$52,844,642</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government wide statement of activities. One element of that reconciliation explains that “revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds”. The details of this difference are as follows:

Special assessment levies	<u>\$54,083</u>
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Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets”. The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds and notes	\$10,000,000
Principal repayments:	
General obligation debt	<u>4,215,000</u>
Net adjustment to decrease net changes	
In fund balances – total governmental	
Funds to arrive at changes in net	
Assets of governmental activities	<u>\$5,785,000</u>

Another element of that reconciliation states that “Governmental funds report the effects of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of the differences are as follows:

Debt issuance costs incurred	\$46,250
Premium received	(204,561)
Amortization of issuance costs	(2,313)
Amortization of premium	<u>10,228</u>
Net adjustment to decrease net changes in fund	
balances-total governmental funds to arrive at	
changes in net assets of governmental activities	<u>\$(150,396)</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

B. Explanation of Certain differences between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (continued)

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds". The details of this difference are as follows:

Compensated absences	\$103,389
Net Pension obligations	129,381
Other	(23,000)
Accrued interest	<u>89,456</u>
Net adjustments to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$299,226</u>

Another element of that reconciliation states that "revenue in the governmental funds that provides current financial resources but have been previously recorded as revenue in the statement of activities". The details of this difference are as follows:

Special assessment collections	\$856,275
Partial interest in sale of land	<u>237,830</u>
Net adjustments to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$1,094,105</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1 C with the exception of encumbrances and tax equivalent from the water utility. Actual (Budgetary basis) expenditures presented reflect actual (GAAP) expenditures adjusted for expenditures liquidated under the prior period budget and encumbrances expected to be liquidated under the current period budget. Actual (budgetary basis) revenue present the tax equivalent from the water utility as tax revenue while the GAAP basis statements present this item as a transfer in.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. BUDGETARY INFORMATION (continued)

A budget has been adopted for the general, debt service, library, capital outlay, equipment replacement, capital improvement, street improvement, sanitary sewer and water utility funds. Budgets have not been formally adopted for other funds.

The budgeted amounts presented include any amendments made during the year. The City may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds vote of the common council. Supplemental appropriations during the year were not significant. Appropriations lapse at the end of the year unless specifically carried over. Carryovers to the following year were not material. Budgets are adopted at the function level of expenditure.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The City controls expenditures at the function level (e.g. public safety). Some departments within functions experienced expenditures that exceeded departmental appropriations. Details of those items can be found in the budget to actual report on Schedule 4.

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. At December 31, 2005 the TIF Districts Fund had a deficit balance of \$1,294,109.

TIF District deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for our TIF District #2 that was created before October 1, 1995, and 23 years for our TIF Districts #3 & TIF District #4 created in 2005.

D. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 25 (2005), new legislation was passed that limits the city's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the City's equalized value due to new construction, or 2%. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit begins with the 2005 levy collected in 2006 and is set to expire after the 2006 levy.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

Cash and investment balances disclosed herein are an integral part of the pooled cash and investments of the City.

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for non interest bearing accounts. The City's bank accounts are also insured by the State of Wisconsin Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to the City. This coverage has not been considered in computing the insured or collateralized amounts.

Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by FDIC and State of Wisconsin Guarantee Fund insurance.

The City maintains a collateral arrangement with its main bank to provide collateralization in excess (about 20%) of deposits maintained at the bank. The collateral is maintained at the Federal Reserve and the City receives monthly reports of the collateral in place. The collateral balance at December 31, 2005 was \$33,140,847.

Cash and investments as shown on the December 31, 2005 City of Franklin Statement of Net Assets are subject to the following risks:

	Carrying Value	Bank Balances	Risks
Cash and demand deposits	\$ 45,845,672	\$ 29,872,661	Custodial
U.S. treasuries and agencies	5,720,755	5,720,755	Credit and interest rate
Asset backed securities	1,341,215	1,341,215	Credit and interest rate
Corporate bonds	345,402	345,402	Credit, interest rate and concentration of credit
Local Government Investment Pool	<u>20,773,788</u>	<u>20,773,788</u>	Credit and interest rate
Total	<u>\$ 74,026,832</u>	<u>\$ 58,053,821</u>	

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

Reconciliation to the financial statements is shown below:

Primary Government:	
Unrestricted cash and investments	\$ 32,209,905
Restricted cash and investments	178,274
Per Statement of Fiduciary Net Assets	<u>41,638,653</u>
	<u>\$ 74,026,832</u>

Custodial Credit Risk For deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City. As of December 31, 2005 \$1,518,209 of the City's total bank balances of \$29,209,703 was uninsured and uncollateralized and therefore exposed to custodial credit risk. For Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City does not have any investments that were exposed to custodial credit risks at December 31, 2005.

Credit Risk Credit risk is the risk that an issuer or other counterparty will not fulfill its obligation. As of December 31, 2005 the City's investments in treasuries, agencies and corporate bonds were rated Moody's Investor Service from AA3 to AAA with only 2.8% of the portfolio in the lowest (AA3) rating. Treasury and agency securities make up 22% of the portfolio. Local Government Investment Pool is not rated and makes up 72% of the portfolio.

Concentration of Credit Risk Concentration of credit risk is the risk of loss attributed to a large investment position in a single issuer. As of the December 31, 2005 no issue other than the Local Government Investment Pool, treasury or agency securities had a position of greater than four percent of the portfolio.

Interest Rate Risk Interest rate risk is the risk that rising interest rates will have an adverse impact on the fair value of the investments in the portfolio. The longer the maturities in the portfolio the greater the risk of loss in portfolio value.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. CASH AND INVESTMENTS (continued)

As of December 31, 2005 the City's investments were as follows:

Investment Type (in thousands)	Fair Value	Investment Maturity in years		
		Less than 1	1 - 5	More than 5
Money Market	\$ 662,958	\$ 662,958	\$ -	\$ -
U.S. treasuries and agencies	5,720,755	1,318,002	4,269,804	132,949
Asset backed securities	1,341,215	-	1,341,215	-
Corporate bonds	345,402	50,110	295,292	-
Local Government Investment Pool	<u>20,773,788</u>	<u>20,773,788</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 28,844,118</u>	<u>\$ 22,804,858</u>	<u>\$ 5,906,311</u>	<u>\$ 132,949</u>

B. RECEIVABLES

Receivables consist of accounts, taxes and special assessments from citizens and others. Receivables are reported net of uncollectible amounts. The reserve for bad debts, principally for personal property taxes and a general valuation allowance, was \$44,824 at December 31, 2005. Other than special assessment receivables, all other receivables are expected to be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and can not be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred and unearned revenue reported in the financial statements were as follows:

	Unavailable	Unearned	Total
Governmental Funds:			
Property taxes receivable	\$ -	\$ 20,449,969	\$ 20,449,969
Special assessments not yet due	<u>3,002,695</u>	<u>-</u>	<u>3,002,695</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 3,002,695</u>	<u>\$ 20,449,969</u>	<u>\$ 23,452,664</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

C. RESTRICTED ASSETS

Sewer Equipment Replacement Account

In accordance with the City's ordinance enacting a sewer user charge system and regulations of the Department of Natural Resources, the Sanitary Sewer Fund – an Enterprise Fund, incorporated an equipment replacement charge as a component of the rate structure to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources. Revenue generated from this charge are accumulated and used for replacement of certain equipment. The balance in this account at December 31, 2005 is \$178,274.

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Additions	Dispositions	Ending Balance
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 4,777,991	\$ 2,107,877	\$ -	\$ 6,885,868
Construction in progress	-	415,821	-	415,821
Total capital assets not depreciated	<u>4,777,991</u>	<u>2,523,698</u>	<u>-</u>	<u>7,301,689</u>
Capital assets depreciated:				
Buildings & improvements	21,190,277	98,672	-	21,288,949
Machinery & equipment	11,482,674	620,428	(360,669)	11,742,433
Infrastructure	<u>8,323,261</u>	<u>3,675,090</u>	<u>-</u>	<u>11,998,351</u>
Total capital assets depreciated	<u>40,996,212</u>	<u>4,394,190</u>	<u>(360,669)</u>	<u>45,029,733</u>
Less: Accumulated depreciation for:				
Buildings & improvements	3,826,776	482,307	-	4,309,083
Machinery & equipment	6,637,048	786,015	(360,669)	7,062,394
Infrastructure	<u>109,713</u>	<u>153,113</u>	<u>-</u>	<u>262,826</u>
Total accumulated depreciation	<u>10,573,537</u>	<u>1,421,435</u>	<u>(360,669)</u>	<u>11,634,303</u>
Net capital assets depreciated	<u>30,422,675</u>	<u>2,972,755</u>	<u>-</u>	<u>33,395,430</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 35,200,666</u></u>	<u><u>\$ 5,496,453</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 40,697,119</u></u>

Under provisions of GASB 34 implementation of infrastructure assets prior to 2003 may be deferred until 2007, if necessary. The City of Franklin has elected to defer until, at least 2006,

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

the inclusion of prior infrastructure assets. The implication of this decision is capital assets and investment in capital assets net of indebtedness are lower than otherwise expected.

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 197,942
Public safety	555,655
Public works	480,387
Health & human services	4,477
Culture & recreation	177,007
Conservation & development	<u>5,967</u>
Total governmental activities depreciation expense	<u>\$ 1,421,435</u>

	Beginning Balance	Additions	Dispositions	Ending Balance
Business-type Activities				
Capital Assets not depreciated:				
Land	\$ 426,384	\$ -	\$ -	\$ 426,384
Construction in progress	<u>-</u>	<u>453</u>	<u>-</u>	<u>453</u>
Total capital assets not depreciated	<u>426,384</u>	<u>453</u>	<u>-</u>	<u>426,837</u>
Capital assets depreciated:				
Buildings & improvements	2,345,953	59,686	(63,500)	2,342,139
Machinery & equipment	1,873,833	14,072	-	1,887,905
Infrastructure	<u>91,140,721</u>	<u>4,927,313</u>	<u>(603)</u>	<u>96,067,431</u>
Total capital assets depreciated	<u>95,360,507</u>	<u>5,001,071</u>	<u>(64,103)</u>	<u>100,297,475</u>
Less: Accumulated depreciation for:				
Buildings & improvements	549,301	80,038	(63,500)	565,839
Machinery & equipment	1,021,613	111,225	-	1,132,838
Infrastructure	<u>12,813,847</u>	<u>1,113,454</u>	<u>(603)</u>	<u>13,926,698</u>
Total accumulated depreciation	<u>14,384,761</u>	<u>1,304,717</u>	<u>(64,103)</u>	<u>15,625,375</u>
Net capital assets depreciated	<u>80,975,746</u>	<u>3,696,354</u>	<u>-</u>	<u>84,672,100</u>
Business-type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 81,402,130</u>	<u>\$ 3,696,807</u>	<u>\$ -</u>	<u>\$ 85,098,937</u>

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows.

Business-Type Activities:

Water	\$ 592,422
Sewer	<u>712,295</u>
	<u>\$ 1,304,717</u>

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund receivables and payables at December 31, 2005 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental funds:		
General	Water Utility	\$ 252,829
General	Sanitary Sewer	1,278
Enterprise funds:		
Water Utility	Sanitary Sewer	<u>145,355</u>
Subtotal - Fund Financial Statements		399,462
Less: Government-wide eliminations		<u>145,355</u>
Total internal balances - Government-Wide		
Statement of Net Assets		<u>\$ 254,107</u>

The principal purpose of these interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. In all cases amounts are repaid within one year.

For the statement of net assets, interfund balances owed within the governmental activities or business – type activities are netted and eliminated.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

Long Term Advances

The debt service fund has advanced funds to TIF District #3 and TIF District #4. The amounts advanced were part of the proceeds of a borrowing designed to enable these new TIF Districts to carry out their approved project plans. The debt service fund is charging the TIF Districts fund interest based upon the amount advanced at an interest rate based upon the interest rate incurred by the debt service fund on this borrowing. The advance is to be repaid to correspond with the principal amounts due by the debt service fund for this borrowing.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amounts not due within one year</u>
Governmental funds:			
Debt service	TIF Districts	\$ 6,717,987	<u>\$ 6,717,987</u>
Less: Fund eliminations		<u>(6,717,987)</u>	
Total long-term advances - Government-Wide Statement of Net Assets		<u>\$ -</u>	

Interfund Transfers

Generally, transfers are used to (1) move revenue from the funds that collect them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (3) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

Transfers during the year ended December 31, 2005 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Enterprise - Water Utility	\$ 772,336
	Enterprise - Sanitary Sewer	5,493
Debt Service	Capital Projects - Development	431,425
	Special Revenue - TIF Districts	113,589
Special Revenue - Master Plan	General	200,000
Capital Projects Funds:		
Capital Outlay	General	224,400
	Special Revenue - Grant	115,789
Equipment Replacement	Special Revenue - Donations	129,116
Capital Improvements	Capital Projects - Street Improvement	74,200
	Capital Projects - Development	1,326,849
	Capital Projects - Utility Improvement	93,270
Enterprise - Water Utility	Capital Projects - Capital Improvement	822,361
	Capital Projects - Development	749,044
Enterprise - Sanitary Sewer	Capital Projects - Capital Improvement	97,225
	Capital Projects - Utility Improvement	43,480
Subtotal - Fund financial statements		5,198,577
Less: Government-wide eliminations		4,264,296
Total transfers - Government-wide Statement of Activities		<u>\$ 934,281</u>

F. LONG TERM OBLIGATIONS

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. The notes and bonds will be retired by future property tax levies, special assessment collections and designated landfill revenue.

The City used available funds, to repay the remaining \$550,000 in maturities of the \$3,250,000 General Obligation Refunding Bonds issued in 1996 at interest rates ranging from 4.0% to 5.1% on September 1, 2005, an early redemption call date.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

Long-term liabilities for the year ended December 31, 2005 were as follows:

	Balance 12/31/04	Additions	Deletions	Balance 12/31/05	Amounts due within one year
Governmental Activities					
General obligation debt	\$ 24,800,000	\$ 10,000,000	\$ 1,900,000	\$ 32,900,000	\$ 1,300,000
Lease revenue debt	20,030,000	-	2,315,000	17,715,000	2,750,000
Unamortized premium	-	204,561	10,228	194,333	20,456
Sub-total	<u>44,830,000</u>	<u>10,204,561</u>	<u>4,225,228</u>	<u>50,809,333</u>	<u>4,070,456</u>
 Compensated absences					
Accrued vacation pay	264,638	675,565	643,411	296,792	296,792
Accrued severance pay	807,456	95,233	39,022	863,667	-
Accrued compensatory time	<u>73,585</u>	<u>173,706</u>	<u>158,681</u>	<u>88,610</u>	<u>88,610</u>
Total compensated absences	<u>1,145,679</u>	<u>944,504</u>	<u>841,114</u>	<u>1,249,069</u>	<u>385,402</u>
Government activities					
Long-term liabilities	<u>\$ 45,975,679</u>	<u>\$ 11,149,065</u>	<u>\$ 5,066,342</u>	<u>\$ 52,058,402</u>	<u>\$ 4,455,858</u>

The governmental activities compensated absences accrue to and are paid from the City's General Fund.

Business-type Activities

Compensated absences					
Accrued vacation pay	\$ 33,397	\$ 34,442	\$ 31,832	\$ 36,008	\$ 36,008
Accrued severance pay	45,106	13,701	-	58,807	-
Accrued compensatory time	<u>1,079</u>	<u>4,085</u>	<u>3,683</u>	<u>1,481</u>	<u>1,481</u>
Business-type activities					
Long-term liabilities	<u>\$ 79,582</u>	<u>\$ 52,228</u>	<u>\$ 35,515</u>	<u>\$ 96,296</u>	<u>\$ 37,489</u>

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS (continued)

Details of general obligation notes and bonds payable are as follows:

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance Outstanding 12/31
General obligation promissory notes						
	5/ 1/99	3.5-4.3	5/1/00-09	5/1&11/1	\$ 7,850,000	\$ 4,325,000
	5/15/01	4.25-4.60	3/ 1/02-11	3/1& 9/1	10,000,000	8,750,000
	8/15/05	3.75-3.90	3/ 1/07-15	3/1& 9/1	10,000,000	10,000,000
General obligation refunding bonds						
	4/15/01	4.3-5.40	3/ 1/02-21	3/1& 9/1	10,000,000	9,825,000
						<u>\$ 32,900,000</u>

Annual principal and interest payments to maturity on general obligation notes and bonds payable are as follows:

Year	Principal	Interest	Total	Balance Outstanding 12/31
2005				\$ 32,900,000
2006	\$ 1,300,000	\$ 1,433,187	\$ 2,733,187	31,600,000
2007	2,350,000	1,338,485	3,688,485	29,250,000
2008	2,925,000	1,224,866	4,149,866	26,325,000
2009	3,300,000	1,090,998	4,390,998	23,025,000
2010	2,925,000	957,172	3,882,172	20,100,000
2011 - 2015	12,845,000	3,130,500	15,975,500	7,255,000
2016 - 2020	5,695,000	1,153,463	6,848,463	1,560,000
2021	1,560,000	39,000	1,599,000	-
	<u>\$ 32,900,000</u>	<u>\$ 10,367,671</u>	<u>\$ 43,267,671</u>	

The City's statutory debt limit and margin of indebtedness at December 31, 2005 are \$151,540,795 and \$118,640,795, respectively.

Conduit Debt Obligations

Twelve series of Industrial Revenue Bonds originally issued with an aggregate principal amount of \$109,485,000 are outstanding with a December 31, 2005 balance of \$100,252,376.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM OBLIGATIONS (continued)

Lease Revenue Debt

The Authority issued Redevelopment Lease Revenue Bonds for the purpose of financing a loan from the Authority to the City to finance project costs associated with the City's Tax Incremental District #2. The bonds are not general obligations of the Authority or the City, but are secured by the obligation of the City to make payments under a lease between the Authority and the City. The lease generally provides for payments by the City to the Authority in amounts equal to the principal and interest payments on the bonds on the dates such payments are due.

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31
Redevelopment Lease Revenue Bonds						
	7/1/98	6.65-6.95	4/1/04-08	4/1&10/1	\$ 5,275,000	\$ 3,375,000
	7/1/98	3.90-5.20	4/1/99-13	4/1&10/1	18,145,000	<u>14,340,000</u>
						<u>\$ 17,715,000</u>

Annual principal and interest payments to maturity on Redevelopment Lease Revenue Bonded Debt are as follows:

Year	Principal	Interest	Total	Balance 12/31
2005				\$ 17,715,000
2006	\$ 2,750,000	\$ 858,780	\$ 3,608,780	14,965,000
2007	2,820,000	705,335	3,525,335	12,145,000
2008 *	2,910,000	544,433	3,454,433	9,235,000
2009 *	1,715,000	420,960	2,135,960	7,520,000
2010 *	1,870,000	333,985	2,203,985	5,650,000
2011 - 2013 *	<u>5,650,000</u>	<u>437,045</u>	<u>6,087,045</u>	-
	<u>\$ 17,715,000</u>	<u>\$ 3,300,538</u>	<u>\$ 21,015,538</u>	

* The City issued in January 2006 \$10,000,000 in general obligation notes for the purpose of refinance existing lease revenue bonds. The issues called were all maturities due in 2009 to 2013 and \$535,000 of the 2008 maturities. The new notes are scheduled to mature in amounts of \$2,300,000 to \$4,700,000 per year on March 1 from 2009 to 2011 and bear interest rates of 3.89% to 4.00%, payable semi-annually on March 1 and September 1 of each year.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. NET ASSETS/FUND BALANCES

Governmental Activities

Government activities net assets reported on the government-wide statement of net assets at December 31, 2005 include the following:

Invested in capital assets, net of related debt	
Land	\$ 6,885,868
Construction in process	415,821
Other capital assets, net of accumulated depreciation	33,395,430
Less: related long term debt outstanding	<u>(39,062,445)</u>
Total invested in capital assets	<u>1,634,674</u>
Restricted for:	
Debt service	51,689
Library	248,174
Emergency medical services	16,624
Utility improvement	1,129,596
Development	2,853,329
Donations	83,368
Grants	<u>84,466</u>
Total restricted	<u>4,467,246</u>
Unrestricted	<u>10,242,063</u>
Total governmental activities net assets	<u>\$ 16,343,983</u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. NET ASSETS/FUND BALANCES (continued)

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at December 31, 2005 include the following:

Reserved

Major funds:

General Fund - Inventories, prepaid items and encumbrances	\$ 57,391
Debt Service Fund - subsequent year debt service	2,001,554
Debt Service Fund - advances to other funds	6,717,987

Non Major funds:

Special Revenue Funds:

Library services including prepaid item	248,174
Emergency medical services and grants	101,090
Donations	83,368

Capital Project Funds:

Capital Outlay - encumbrances	197,000
Capital Improvement - encumbrances	4,000
Capital Improvement - subsequent year expenses	385,000
Development	2,853,329
Utility improvement	1,129,596

Total reserved	<u>\$ 13,778,489</u>
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Unreserved:

Major Fund - General Fund

Designated for working capital	\$ 3,416,000
Designated for subsequent year expenditures	950,000
Undesignated	2,045,669
Total General Fund	<u>6,411,669</u>

Major Fund - TIF Districts Fund

Undesignated (Deficit)	<u>(1,294,109)</u>
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Non Major funds:

Special Revenue funds

Designated for master plan activities	190,346
Designated for civic celebration activities	28,424
Total Special Revenue funds	<u>218,770</u>

Capital project funds

Designated for Capital Outlay	122,905
Designated for Equipment Replacement	2,042,573
Designated for Capital Improvement	3,866,198
Designated for Street Improvement	420,655
Total Capital Project Funds	<u>6,452,331</u>

Total Unreserved Funds	<u>\$ 11,788,661</u>
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CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

H. RESTATEMENT OF FUND BALANCES/NET ASSETS

Fund balance and net assets have been restated due to the change in reporting of Tax Incremental Financing District #2 activity from the Component Unit (Authority) financial statements to the Primary Government financial statements. The change was necessitated after a review of the reporting of TIF District activity due to the establishment of additional TIF Districts.

	<u>TIF Districts</u>
Fund Balance - December 31, 2004 (reported)	\$ -
Reclassified funds from Authority financial statements	<u>239,847</u>
Fund balance - January 1, 2005 (restated)	<u><u>\$ 239,847</u></u>

	<u>Governmental Activities</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>
Net assets (liabilities) - December 31, 2004 (reported)	\$ 26,815,712	\$ (19,840,332)	\$ -
Add (deduct):			
Lease receivable from City	-	20,030,000	-
Reclassified funds from Authority financial statements	239,847	(239,847)	-
Lease payable to Authority	(20,030,000)	-	-
Accrued lease interest receivable	-	265,009	-
Taxes receivable	-	-	(2,925,386)
Due to other governments	-	-	2,925,386
Accrued lease interest payable	(265,009)	-	-
Developer receivable deferred revenue	237,830	(237,830)	-
Contract accounts payable	<u>(23,000)</u>	<u>23,000</u>	<u>-</u>
Net assets - January 1, 2005 (restated)	<u><u>\$ 6,975,380</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 5 – OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

Wisconsin Retirement System

All eligible protective City of Franklin employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system ("PERS"). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the general category are required by statute to contribute 5.8% of their salary (4.9% for protective occupations with social security, and 3.3% for protective occupations without social security) to the plan.

Employers may make these contributions to the plan on behalf of the employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for employees covered by the System for the year ended December 31, 2005 was \$6,321,461; the employer's total payroll was \$11,288,707. The total required contribution paid entirely by the employer for the year ended December 31, 2005 was \$1,156,827 or 18.3% of covered payroll. Of the total required contribution, 100 percent was contributed for the current year. Total contributions for the years ended December 31, 2004 and 2003 were \$1,089,239 and \$947,469, respectively, equal to the required contributions for each year.

Protective employees who retire at or after age 53 with 25 years or more of service or age 54 with less than 25 years of service are entitled to receive retirement benefits. Protective employees may retire at age 50 and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service and (3) a formula factor. Final Average Earnings is the average of the protective employee's three highest years earnings. Protective employees terminating covered employment before becoming eligible for retirement benefits may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefits. For employees beginning participation after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of the Wisconsin Statutes. The System issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

CITY OF FRANKLIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 5 – OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Public Works Employees Pension Plan

Plan Description

The City is also a participant in the City of Franklin Public Works Employees' Pension Plan, a non-contributory single employer defined benefit pension plan covering eligible public works employees. The assets of this Plan are administered by Principal Life Insurance Company. An annual financial report may be obtained by writing to the plan administrator at Principal Financial Group, P.O. Box 9693, Des Moines, IA 50306-9396.

Employees attaining the age of 60 are entitled to annual benefits of 1.98% of average compensation multiplied by the number of complete years of service subsequent to January 1, 1956. Average compensation is defined as the monthly total pay plus salary deferrals, compensation and overtime received for the three consecutive years out of the ten latest years which gives the highest average. Employees may retire early and receive reduced benefits at age 55 with at least ten years of service.

Disability benefits equivalent to expected benefits at normal retirement date are paid until normal retirement date, death or recovery. If an active employee dies, his or her beneficiary receives a lump-sum cash payment equal to the participant's accumulation at date of death or an annuity benefit deferred until participant's earliest retirement date.

If an employee terminates his or her employment with the City, the employee has the option of accepting either normal retirement benefits at normal retirement date, or a lump-sum cash payment of participant's vested accumulations. An employee becomes 50% vested after five years of service and 100% vested after ten years.

Employees do not make pension contributions. The City contributes all amounts necessary to fund the pension plan, using the aggregate actuarial cost method.

Funding Policy

The City's funding policy has been to provide yearly contributions at actuarially determined rates that, expressed as a percentage of covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

During the year ended December 31, 2005, contributions totaling \$159,000 were made. Full payment in accordance with contribution requirements determined by an actuarial valuation of the pension plan as of January 1, 2005 were not made pending a review of and revision to the administration contract and possible changes in early 2006. The annual actuarial valuation employer contributions amount represented 22.7% of current year covered payroll.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 5 – OTHER INFORMATION (continued)

A. DEFINED BENEFIT PENSION PLANS (continued)

Public Works Employees Pension Plan (continued)

Annual Pension Cost

For 2005, the City's annual pension cost of \$288,381 for the pension plan was greater than to the City's and actual contributions. The required contribution was determined during the January 1, 2005 actuarial valuation using the aggregate actuarial cost method.

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions include: (a) a rate of return on the investment of present and future assets ranging from 5.0% to 7.0% compounded annually, (b) projected salary increases of 2.00% per year compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 1.88% to 5.10% per year, depending on age, attributable to seniority/merit. The assumptions did not include post retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period.

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2005	\$ 288,381	55%	\$ 129,381
12/31/2004	204,665	100%	-
12/31/2003	191,468	100%	-

	(A)	(B)	(C)	(D)	(E)	(F)
Actual Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) - Aggregate	Unfunded AAL (UAAL) [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	UAAL as Percentage of Covered Payroll [(C)/(E)]
1/1/2005	\$ 2,929,045	\$ 3,058,426	129,381	96%	\$ 1,267,823	10%
1/1/2004	2,563,079	2,563,079	-	100%	1,064,464	-%
1/1/2003	2,501,700	2,501,700	-	100%	990,311	-%

There were no significant changes in actuarial assumptions during the valuation year ended January 1, 2005.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 5 – OTHER INFORMATION (continued)

B. DEFINED CONTRIBUTION PLAN

Based on City ordinances all eligible City of Franklin non-protective employees (except public works employees) participate in the City of Franklin Defined Contribution Plan (the "Plan"). The Plan assets are administered by the Principal Life Insurance Company.

Employees after completing six months of service with the City are eligible to participate. The Plan requires the City to make periodic contributions to each participant's account equal to 10% of such participant's annual compensation. Employees may but are not required to make contributions. A participant's accrued benefit for City contributions is 100% vested and non forfeitable upon death, normal retirement, early retirement or permanent and total disability as defined in the Plan. If employment is terminated for any other reason, each participant's accrued benefit vests at various percentages, based on years of service. During 2005, the City made the required contribution amounting to \$339,899, or 10% of covered payroll and employees made \$6,329 in additional voluntary contributions to the plan. The City may make amendments to the Plan.

C. POST RETIREMENT HEALTH CARE BENEFITS

The City provides to longer term employees certain health care benefits at a reduced cost during the period from their normal retirement date until they reach age 65. The cost of this retiree health care benefit is recognized as expenditures when premiums are due. For 2005, 18 retired employees and their dependents received this benefit at a cost to the City of approximately \$116,919.

D. CONTINGENCIES AND COMMITMENTS

From time to time the City is party to various claims and legal proceedings. Although the outcome of such matters is not presently determinable, it is the opinion of City management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City receives impact fees for new development projects. The fees are to be used to fund specific projects within a specific period of time. In the event the projects are not completed or the time period elapses, the City will be required to refund the impact fees to owners of property that the fees were originally charged.

The City has no material outstanding contractual commitments relating to various Public Works projects and equipment purchases at December 31, 2005.

CITY OF FRANKLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 5 – OTHER INFORMATION (continued)

E. CONTINGENCIES AND COMMITMENTS (continued)

Funding for the operating budget of the City comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits and other miscellaneous revenue. The State of Wisconsin provides a variety of aid and grant programs that benefit the City. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget process. The State of Wisconsin is currently experiencing budget problems and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the City.

F. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, natural disasters, and workers' compensation claims that the City carries commercial insurance. No significant reductions in insurance coverage occurred for any risk of loss in the past year, and settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The City also offers a group medical and dental insurance plan to employees for which the City is self-insured. This activity is accounted for in the City's Self Insurance Internal Service Fund. Group medical and dental costs are charged to City departments and retirees participating in the program. A third party administrator handles claims payments. The City carries stop loss insurance for losses in excess of \$50,000 per year per individual. Liabilities are reported when it is probable that loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported ("IBNR"). Changes in the balance of claims payable for the three years ended December 31, 2005 are as follows:

	<u>Balance Beginning of Year</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance End of Year</u>
2005	\$ 359,500	\$ 2,618,903	\$ 2,612,403	\$ 366,000
2004	294,500	2,248,233	2,183,233	359,500
2003	214,500	2,247,593	2,167,593	294,500

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than debt service or major capital projects) that are restricted for specified purposes.

Library Fund - This fund accounts for the operation of the City's Library.

Master Plan Fund - This fund accounts for resources dedicated to improving the Comprehensive Master Plan for the City.

Donation Fund - This fund accounts for donations received for specific purposes.

Civic Celebrations Fund - This fund accounts for activity related to the City's Fourth of July, Fiftieth Anniversary or other celebrations.

Grant Fund – The City reports its grant activities in this fund. Grant activities include Fire Department, Police Department, Health Department, Community Development Block Grants and miscellaneous grants received by the City that are not accounted for elsewhere.

Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Capital Outlay Fund – This fund accounts for the departmental capital outlays. These expenditures are funded by the tax levy, normally are less than \$25,000 and are under the direction of the department supervisor.

Equipment Replacement Fund - This fund accounts for the rolling stock replacement program that accumulates annual funding (from property taxes) for replacement of vehicles and similar equipment in lieu of using borrowed monies.

Capital Improvement Fund - This fund accounts for land acquisitions, building projects and all public works projects and are usually funded with borrowed money or funding from some other source other than the tax levy.

Street Improvement Fund - This fund accounts for the activities of the local road improvement program. Funding is provided by the tax levy and a every other year local road improvement grant from the State.

Utility Improvement Fund - This fund is used to account for water and sewer connection fees that are used for water and sewer construction projects.

Development Fund - This fund is used to account for impact fees restricted for use to capital improvements.

CITY OF FRANKLIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005

	Special Revenue Funds				
	Library Fund	Master Plan Fund	Donation Fund	Celebrations Fund	Grant Fund
ASSETS					
Cash and investments	\$ 257,886	\$ 216,834	\$ 85,265	\$ 28,674	\$ 81,503
Receivables					
Accounts receivable	33,232	-	-	-	-
Taxes receivable	1,082,000	-	-	-	-
Special assessments receivable	-	-	-	-	-
Due from other governments	-	-	-	-	24,371
Prepaid items	10,032	-	-	-	-
	<u>\$ 1,383,150</u>	<u>\$ 216,834</u>	<u>\$ 85,265</u>	<u>\$ 28,674</u>	<u>\$ 105,874</u>
TOTAL ASSETS					
	\$ 1,383,150	\$ 216,834	\$ 85,265	\$ 28,674	\$ 105,874
					\$ 1,819,797
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 36,296	\$ 26,488	\$ 1,897	\$ 250	\$ 4,784
Accrued liabilities	16,680	-	-	-	-
Deferred revenue	1,082,000	-	-	-	-
Total Liabilities	<u>1,134,976</u>	<u>26,488</u>	<u>1,897</u>	<u>250</u>	<u>4,784</u>
					\$ 69,715
					16,680
					1,082,000
					<u>1,168,395</u>
FUND BALANCES					
Reserved for					
Prepaid items	10,032	-	-	-	-
Encumbrances	-	-	-	-	-
Subsequent years expenditures	238,142	-	-	-	-
Emergency medical services	-	-	-	-	16,624
Utility improvements	-	-	-	-	-
Development	-	-	-	-	-
Donations & grants	-	-	83,368	-	84,466
Unreserved reported in					
Special Revenue Funds	-	190,346	-	28,424	-
Capital Projects Funds	-	-	-	-	-
Total Fund Balances	<u>248,174</u>	<u>190,346</u>	<u>83,368</u>	<u>28,424</u>	<u>101,090</u>
					\$ 218,770
					<u>651,402</u>
TOTAL LIABILITIES AND FUND BALANCES					
	\$ 1,383,150	\$ 216,834	\$ 85,265	\$ 28,674	\$ 105,874
					\$ 1,819,797

(Continued)

CITY OF FRANKLIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005

	Capital Projects Funds						Total Nonmajor Governmental Funds
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Total	
ASSETS							
Cash and investments	\$ 363,586	\$ 2,042,573	\$ 4,986,293	\$ 438,330	\$ 1,274,239	\$ 12,944,498	\$ 13,614,660
Receivables							
Accounts receivable	3,432	-	-	-	-	3,432	36,664
Taxes receivable	386,000	255,000	-	762,000	58,986	1,461,986	2,543,986
Special assessments receivable	-	-	-	-	851,529	851,529	851,529
Due from other governments	-	-	-	-	-	-	24,371
Prepaid items	-	-	-	-	-	-	10,032
TOTAL ASSETS	\$ 753,018	\$ 2,297,573	\$ 4,986,293	\$ 1,200,330	\$ 2,184,754	\$ 15,261,445	\$ 17,081,242
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 47,113	\$ -	\$ 731,095	\$ 17,675	\$ 144,643	\$ 986,148	\$ 1,996,389
Accrued liabilities	-	-	-	-	-	-	16,680
Deferred revenue	386,000	255,000	-	762,000	910,515	2,313,515	3,395,515
Total Liabilities	433,113	255,000	731,095	779,675	1,055,158	4,240,189	5,408,584
FUND BALANCES							
Reserved for:							
Prepaid items	-	-	-	-	-	-	10,032
Encumbrances	197,000	-	4,000	-	-	201,000	201,000
Subsequent years expenditures	-	-	385,000	-	-	385,000	623,142
Emergency medical services	-	-	-	-	-	-	16,624
Utility improvements	-	-	-	-	1,129,596	1,129,596	1,129,596
Development	-	-	-	-	-	2,853,329	2,853,329
Donations & grants	-	-	-	-	-	-	167,834
Unreserved reported in							
Special Revenue Funds	122,905	2,042,573	-	-	-	-	218,770
Capital Projects Funds	319,905	2,042,573	3,866,198	420,655	-	6,452,331	6,452,331
Total Fund Balances			4,255,198	420,655	1,129,596	11,021,256	11,672,658
TOTAL LIABILITIES AND FUND BALANCES	\$ 753,018	\$ 2,297,573	\$ 4,986,293	\$ 1,200,330	\$ 2,184,754	\$ 15,261,445	\$ 17,081,242

CITY OF FRANKLIN
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2005

	Special Revenue Funds				
	Library Fund	Master Plan Fund	Donation Fund	Celebrations Fund	Grant Fund
					Total
REVENUE					
Taxes	\$ 976,000	\$ -	\$ -	\$ -	\$ 976,000
Intergovernmental revenue	-	-	406	-	237,626
Special assessments	-	-	-	-	-
Investment earnings	13,733	4,340	2,105	-	525
Miscellaneous revenue	107,752	-	146,846	142,874	7,925
Total Revenue	1,097,485	4,340	149,357	142,874	246,076
					1,640,132
EXPENDITURES					
Current:					
Public safety	-	-	8,869	-	-
Health and human services	-	-	3,547	-	-
Culture and recreation	969,757	-	-	130,181	39,986
Conservation and development	-	73,721	317	-	17,705
Capital outlay	115,449	-	1,769	-	-
Debt service - debt issuance costs	-	-	-	-	41,421
Total Expenditures	1,085,206	73,721	14,502	130,181	99,112
					1,402,722
Excess (Deficiency) of Revenue Over (Under) Expenditures	12,279	(69,381)	134,855	12,693	146,964
OTHER FINANCING SOURCES (USES)					
Transfers in	-	200,000	-	-	-
Transfers out	-	-	(129,116)	-	(115,789)
General obligation debt issued	-	-	-	-	-
Net change in fund balances	12,279	130,619	5,739	12,693	31,175
Fund balances - beginning	235,895	59,727	77,629	15,731	69,915
Fund balances - ending	\$ 248,174	\$ 190,346	\$ 83,368	\$ 28,424	\$ 101,090
					\$ 651,402

(Continued)

CITY OF FRANKLIN
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2005

	Capital Projects Funds					Total	
	Capital Outlay Fund	Equipment Replacement Fund	Capital Improvement Fund	Street Improvement Fund	Utility Improvement Fund	Total	Nonmajor Governmental Funds
REVENUE							
Taxes	\$ 333,000	\$ 250,000	\$ -	\$ 730,000	\$ -	\$ 1,313,000	\$ 2,289,000
Intergovernmental revenue	9,449	-	-	-	-	9,449	247,481
Special assessments	-	-	-	-	456,204	2,979,369	2,979,369
Investment earnings	7,628	54,380	85,068	23,146	44,337	315,625	336,328
Miscellaneous revenue	63,298	4,000	5,734	-	-	73,032	478,429
Total Revenue	413,375	308,380	90,802	753,146	500,541	4,690,475	6,330,607
EXPENDITURES							
Current:							
Public safety	-	-	-	-	-	-	8,869
Health and human services	-	-	-	-	-	-	43,533
Culture and recreation	-	-	-	-	-	-	1,117,643
Conservation and development	-	-	-	-	-	-	74,038
Capital outlay	531,118	279,074	902,099	548,332	-	2,267,273	2,425,912
Debt service - debt issuance costs	-	-	13,875	-	-	13,875	13,875
Total Expenditures	531,118	279,074	915,974	548,332	-	2,281,148	3,683,870
Excess (Deficiency) of Revenue Over (Under) Expenditures	(117,743)	29,306	(825,172)	204,814	500,541	2,409,327	2,646,737
OTHER FINANCING SOURCES (USES)							
Transfers in	340,189	129,116	1,494,319	-	-	1,963,624	2,163,624
Transfers out	-	-	(919,586)	(74,200)	(136,750)	(3,637,854)	(3,882,759)
General obligation debt issued	-	-	3,000,000	-	-	3,000,000	3,000,000
Net change in fund balances	222,446	158,422	2,749,561	130,614	363,791	3,735,097	3,927,602
Fund balances - beginning	97,459	1,884,151	1,505,637	290,041	765,805	7,286,159	7,745,056
Fund balances - ending	\$ 319,905	\$ 2,042,573	\$ 4,255,198	\$ 420,655	\$ 1,129,596	\$ 11,021,256	\$ 11,672,658

CITY OF FRANKLIN
General Fund

Schedule of Revenue - Budget and Actual
Year Ended December 31, 2005

	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
TAXES			
General property taxes	\$ 12,300,300	\$ 12,287,353	\$ (12,947)
Water Utility - tax equivalent	700,000	777,829	77,829
Cable TV franchise fees	295,000	292,940	(2,060)
Mobile home assessments	54,000	35,628	(18,372)
Motel room tax	54,000	52,548	(1,452)
	<u>13,403,300</u>	<u>13,446,298</u>	<u>42,998</u>
INTERGOVERNMENTAL REVENUE			
State shared revenue	1,128,600	1,147,853	19,253
Fire insurance - dues	95,000	97,209	2,209
Local, state and federal grants and aids			
Computer Aid	46,400	35,386	(11,014)
Transportation aids	1,222,700	1,222,288	(412)
Recycling	80,000	77,363	(2,637)
Other	10,000	1,378	(8,622)
	<u>2,582,700</u>	<u>2,581,477</u>	<u>(1,223)</u>
LICENSES, FEES AND PERMITS			
Licenses:			
Liquor	29,200	28,940	(260)
Bartenders	13,500	13,895	395
Amusement and related	8,300	9,490	1,190
Peddlers	45,000	35,250	(9,750)
Food and related	11,500	12,505	1,005
Electrical contractors	14,500	14,350	(150)
Dog and cat	7,500	11,043	3,543
Other	7,900	5,324	(2,576)
Permits:			
Building	645,000	929,654	284,654
Electrical	110,000	178,430	68,430
Plumbing	125,000	214,952	89,952
Fire	9,000	6,879	(2,121)
Other	27,100	26,254	(846)
	<u>1,053,500</u>	<u>1,486,966</u>	<u>433,466</u>
FINES, FORFEITURES AND PENALTIES	<u>450,000</u>	<u>361,656</u>	<u>(88,344)</u>

(Continued)

CITY OF FRANKLIN
General FundSchedule of Revenue - Budget and Actual
Year Ended December 31, 2005

	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
PUBLIC CHARGES FOR SERVICES			
General government			
Property reports and document fees	\$ 18,700	\$ 12,176	\$ (6,524)
Public safety			
Police Department and related	14,500	5,456	(9,044)
Ambulance service	360,000	329,091	(30,909)
Fire Department and related	34,000	81,558	47,558
Weights and measures	6,800	9,000	2,200
Public works			
Street lighting	3,000	7,745	4,745
Weed cutting	25,100	9,714	(15,386)
Quarry reimbursement	37,000	16,434	(20,566)
Engineering and DPW fees	162,000	196,340	34,340
Landfill siting fees	505,300	529,899	24,599
Health and human services			
Health Clinics	50,000	80,724	30,724
Conservation and development			
Zoning, subdivision and other filing fees	113,400	120,673	7,273
	<u>1,329,800</u>	<u>1,398,810</u>	<u>69,010</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES	<u>548,000</u>	<u>591,834</u>	<u>43,834</u>
INVESTMENT EARNINGS	<u>315,500</u>	<u>425,444</u>	<u>109,944</u>
MISCELLANEOUS REVENUE			
Municipal property rental	40,000	46,684	6,684
Property sale	5,000	-	(5,000)
Refunds and reimbursements	34,500	74,392	39,892
Insurance dividend	33,000	-	(33,000)
Other revenue	23,700	27,937	4,237
	<u>136,200</u>	<u>149,013</u>	<u>12,813</u>
TOTAL REVENUE	<u>\$ 19,819,000</u>	<u>\$ 20,441,498</u>	<u>\$ 622,498</u>

**CITY OF FRANKLIN
General Fund**

**Schedule of Expenditures - Budget and Actual (on a budgetary basis)
Year Ended December 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget - Favorable (Unfavorable)</u>
CURRENT				
General Government				
Mayor	\$ 23,802	\$ 23,802	\$ 23,316	\$ 486
Aldermen	61,381	61,381	59,208	2,173
Municipal court	75,108	75,108	80,640	(5,532)
City clerk	244,693	244,693	237,567	7,126
Elections	16,870	16,870	12,435	4,435
Information services	311,900	311,900	287,896	24,004
Administraton	227,021	227,221	177,208	50,013
Human resources	164,128	199,128	162,496	36,632
Finance	300,419	300,419	294,198	6,221
Audit	25,800	30,000	29,825	175
Assessor	230,940	230,940	227,171	3,769
Treasury	138,323	138,323	122,148	16,175
Legal counsel	197,000	242,000	219,418	22,582
Municipal buildings	257,527	286,352	238,304	48,048
Property and liability insurance	183,200	54,800	70,914	(16,114)
Other	29,200	74,500	69,118	5,382
Contingency	150,000	56,725	-	56,725
Total General Government	<u>2,637,312</u>	<u>2,574,162</u>	<u>2,311,862</u>	<u>262,300</u>
Public Safety				
Police:				
Police	6,407,506	6,355,756	6,222,706	133,050
Dispatchers	877,744	878,744	808,109	70,635
Court Services	88,388	88,388	84,883	3,505
Fire	4,327,277	4,374,077	4,538,632	(164,555)
Fire protection service charge	217,900	217,900	217,856	44
Building inspection	884,194	900,494	799,913	100,581
Sealer of weights and measures	6,800	6,800	6,800	-
Total Public Safety	<u>12,809,809</u>	<u>12,822,159</u>	<u>12,678,899</u>	<u>143,260</u>
Public Works				
Engineering	551,172	559,447	530,200	29,247
Highway	1,969,407	1,987,707	1,881,476	106,231
Refuse collection	1,077,189	1,077,789	1,091,558	(13,769)
Street lighting	238,000	241,800	239,196	2,604
Weed control	25,100	25,100	8,543	16,557
Total Public Works	<u>3,860,868</u>	<u>3,891,843</u>	<u>3,750,973</u>	<u>140,870</u>
Health and Human Services				
Public health	502,143	509,118	420,486	88,632
Animal control	35,522	35,522	35,477	45
Total Health and Human Services	<u>537,665</u>	<u>544,640</u>	<u>455,963</u>	<u>88,677</u>
Culture and Recreation				
St. Martin's fair	46,974	46,974	39,582	7,392
Civic celebrations	4,000	4,000	4,000	-
Senior travel program	10,000	10,000	7,770	2,230
Parks	92,385	95,235	104,745	(9,510)
Total Culture and Recreation	<u>153,359</u>	<u>156,209</u>	<u>156,097</u>	<u>112</u>
Conservation and Development				
Community development	164,731	174,731	5,965	168,766
Planning	395,256	395,256	387,117	8,139
Total Conservation and Development	<u>559,987</u>	<u>569,987</u>	<u>393,082</u>	<u>176,905</u>
TOTAL EXPENDITURES	<u>\$ 20,559,000</u>	<u>\$ 20,559,000</u>	<u>\$ 19,746,876</u>	<u>\$ 812,124</u>

CITY OF FRANKLIN
Debt Service Fund
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget - Favorable (Unfavorable)</u>
REVENUE				
Taxes	\$ 2,310,000	\$ 2,310,000	\$ 2,310,000	\$ -
Public charges for services - Landfill siting	649,300	649,300	689,060	39,760
Special assessments	-	-	641,445	641,445
Investment earnings	-	-	226,399	226,399
Total Revenue	<u>2,959,300</u>	<u>2,959,300</u>	<u>3,866,904</u>	<u>907,604</u>
EXPENDITURES				
Debt service				
Principal	1,900,000	1,900,000	1,900,000	-
Interest	1,123,504	1,123,504	1,123,504	-
Total Expenditures	<u>3,023,504</u>	<u>3,023,504</u>	<u>3,023,504</u>	<u>-</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(64,204)	(64,204)	843,400	907,604
OTHER FINANCING SOURCES (USES)				
Transfers in	327,100	327,100	545,014	217,914
Transfers out	-	-	-	-
General obligation debt issued	-	7,000,000	7,000,000	-
Premium on debt issued	-	205,000	204,561	(439)
Net change in fund balances	262,896	7,467,896	8,592,975	1,125,079
Fund balances - beginning	<u>126,566</u>	<u>126,566</u>	<u>126,566</u>	<u>-</u>
Fund balances - ending	<u>\$ 389,462</u>	<u>\$ 7,594,462</u>	<u>\$ 8,719,541</u>	<u>\$ 1,125,079</u>

CITY OF FRANKLIN
Library Fund
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2005

	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE			
Taxes	\$ 976,000	\$ 976,000	\$ -
Investment earnings	4,000	13,733	9,733
Miscellaneous revenue	30,000	107,752	77,752
Total Revenue	<u>1,010,000</u>	<u>1,097,485</u>	<u>87,485</u>
EXPENDITURES			
Current:			
Culture and recreation	918,667	969,757	(51,090)
Capital outlay	98,000	115,449	(17,449)
Total Expenditures	<u>1,016,667</u>	<u>1,085,206</u>	<u>(68,539)</u>
Net change in fund balances	(6,667)	12,279	18,946
Fund balances - beginning	<u>235,895</u>	<u>235,895</u>	<u>-</u>
Fund balances - ending	<u>\$ 229,228</u>	<u>\$ 248,174</u>	<u>\$ 18,946</u>

CITY OF FRANKLIN
Capital Projects Funds

Schedule of Revenue, Expenditures and Changes in Fund Balance -
Budget and Actual (on a budgetary basis)
Year Ended December 31, 2005

	Capital Outlay Fund			Equipment Replacement Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
						Variance with final budget - Favorable (Unfavorable)
REVENUE						
Taxes	\$ 333,000	\$ 333,000	\$ 333,000	\$ 250,000	\$ 250,000	\$ -
Intergovernmental revenue	-	-	9,449	-	-	-
Investment earnings	5,000	5,000	7,628	30,000	30,000	54,380
Miscellaneous revenue	35,000	39,500	63,298	-	-	4,000
Total Revenue	373,000	377,500	413,375	280,000	280,000	308,380
EXPENDITURES						
Capital outlay	431,192	783,492	728,118	280,000	280,000	279,074
Total Expenditures	431,192	783,492	728,118	280,000	280,000	279,074
Excess (Deficiency) of Revenue Over (Under) Expenditures	(58,192)	(405,992)	(314,743)	-	-	29,306
OTHER FINANCING SOURCES (USES)						
Transfers in	-	345,400	340,189	-	130,000	129,116
Transfers out	-	-	-	-	-	-
Net changes in fund balances	\$ (58,192)	\$ (60,592)	25,446	\$ -	\$ 130,000	158,422
Adjustments to generally accepted accounting principles basis						
2005 encumbrances			197,000			-
Fund balances - beginning			97,459			1,884,151
Fund balances - ending			<u>\$ 319,905</u>			<u>\$ 2,042,573</u>

Continued

CITY OF FRANKLIN
Capital Projects Funds

Schedule of Revenue, Expenditures and Changes in Fund Balance -
Budget and Actual (on a budgetary basis)
Year Ended December 31, 2005

	Capital Improvement Fund			Street Improvement Fund		
	Original Budget	Final Budget	Actual	Original and final Budget	Actual	Variance with final budget - Favorable (Unfavorable)
REVENUE						
Taxes	\$ -	\$ -	\$ -	\$ 730,000	\$ 730,000	\$ -
Investment earnings	25,000	25,000	85,068	6,000	23,146	17,146
Miscellaneous revenue	6,500	6,500	5,734	-	-	-
Total Revenue	<u>31,500</u>	<u>31,500</u>	<u>90,802</u>	<u>736,000</u>	<u>753,146</u>	<u>17,146</u>
EXPENDITURES						
Capital outlay	1,390,420	1,892,140	1,809,685	746,800	548,332	198,468
Debt issuance costs	-	-	13,875	-	-	-
Total Expenditures	<u>1,390,420</u>	<u>1,892,140</u>	<u>1,823,560</u>	<u>746,800</u>	<u>548,332</u>	<u>198,468</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(1,358,920)	(1,860,640)	(1,732,758)	(10,800)	204,814	215,614
OTHER FINANCING SOURCES (USES)						
Transfers in	363,570	484,270	1,494,319	-	-	-
Transfers out	-	-	-	(74,200)	(74,200)	-
General obligation debt issued	-	3,000,000	3,000,000	-	-	-
Net changes in fund balances	<u>\$ (995,350)</u>	<u>\$ 1,623,630</u>	<u>2,761,561</u>	<u>\$ (85,000)</u>	<u>130,614</u>	<u>\$ 215,614</u>
Adjustments to generally accepted accounting principles basis						
2005 encumbrances			4,000		-	-
2004 encumbrances			(16,000)		-	-
Fund balances - beginning			<u>1,505,637</u>		<u>290,041</u>	
Fund balances - ending			<u>\$ 4,255,198</u>		<u>\$ 420,655</u>	

CITY OF FRANKLIN
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2005

Governmental funds capital assets:

Land	\$ 6,885,868
Buildings and improvements	21,288,949
Machinery and equipment	11,742,433
Infrastructure improvements	11,998,351
Construction in process	<u>415,821</u>

Total governmental funds capital assets \$ 52,331,422

Investment in government capital assets by source:

Assets acquired prior to 1993	\$ 4,617,865
Assets acquired after 1992	
General Fund	1,830,309
Special Revenue Funds	472,571
Capital Projects Funds	32,118,997
Donations	<u>13,291,680</u>

Total governmental funds capital assets \$ 52,331,422

CITY OF FRANKLIN
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
Year Ended December 31, 2005

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Infrastructure Improvements</u>	<u>Construction In process</u>	<u>Total</u>
General Government:						
Mayor	\$ -	\$ -	\$ 2,202	\$ -	\$ -	\$ 2,202
Aldermen	-	-	4,769	-	-	4,769
Municipal court	-	-	7,446	-	-	7,446
City clerk	-	-	4,232	-	-	4,232
Elections	-	-	2,500	-	-	2,500
Information services	-	-	316,524	-	-	316,524
Administration	-	-	598,218	-	-	598,218
Human resources	-	-	1,295	-	-	1,295
Finance	-	-	26,966	-	-	26,966
Assessor	-	-	42,567	-	-	42,567
Treasurer	-	-	29,101	-	-	29,101
Attorney	-	-	1,400	-	-	1,400
Municipal buildings	710,717	2,606,523	526,334	-	-	3,843,574
Total General Government	710,717	2,606,523	1,563,554	-	-	4,880,794
Public Safety:						
Police	1,201,829	8,418,912	2,264,270	-	-	11,885,011
Fire	5,000	2,424,996	2,813,766	-	-	5,243,762
Building inspection	-	-	283,384	-	-	283,384
Total Public Safety	1,206,829	10,843,908	5,361,420	-	-	17,412,157
Public Works:						
Engineering	-	-	196,665	-	-	196,665
Highway	84,610	2,614,351	3,658,046	-	-	6,357,007
Infrastructure	3,462,323	-	-	11,998,351	-	15,460,674
Construction in process	-	-	-	-	415,821	415,821
Total Public Works	3,546,933	2,614,351	3,854,711	11,998,351	415,821	22,430,167
Health & Human Services:						
Health	-	-	47,152	-	-	47,152
Culture and Recreation:						
Library	16,769	4,890,391	738,441	-	-	5,645,601
Parks	1,404,620	333,776	100,012	-	-	1,838,408
Total Culture and Recreation	1,421,389	5,224,167	838,453	-	-	7,484,009
Conservation and Development:						
Community development	-	-	9,145	-	-	9,145
Planning	-	-	67,998	-	-	67,998
Total Conservation and Development	-	-	77,143	-	-	77,143
Total governmental funds capital assets	\$ 6,885,868	\$ 21,288,949	\$ 11,742,433	\$ 11,998,351	\$ 415,821	\$ 52,331,422

CITY OF FRANKLIN
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended December 31, 2005

Function and Activity	Governmental Funds Capital Assets			
	12/31/04	Additions	Deletions	12/31/05
General Government:				
Mayor	\$ 1,123	\$ 1,079	\$ -	\$ 2,202
Aldermen	4,769	-	-	4,769
Municipal court	7,446	-	-	7,446
City clerk	4,232	-	-	4,232
Elections	2,500	-	-	2,500
Information services	301,999	18,533	4,008	316,524
Administration	598,218	-	-	598,218
Human resources	1,295	-	-	1,295
Finance	26,966	-	-	26,966
Assessor	32,587	9,980	-	42,567
Treasury	26,104	2,997	-	29,101
Attorney	1,400	-	-	1,400
Municipal buildings	3,836,176	7,398	-	3,843,574
Total General Government	<u>4,844,815</u>	<u>39,987</u>	<u>4,008</u>	<u>4,880,794</u>
Public Safety:				
Police	12,027,289	48,091	190,369	11,885,011
Fire	5,083,175	286,744	126,157	5,243,762
Building inspection	281,390	1,994	-	283,384
Total Public Safety	<u>17,391,854</u>	<u>336,829</u>	<u>316,526</u>	<u>17,412,157</u>
Public Works:				
Engineering	194,159	2,506	-	196,665
Highway	6,212,642	184,500	40,135	6,357,007
Infrastructure	10,099,781	5,360,893	-	15,460,674
Construction in process	-	415,821	-	415,821
Total Public Works	<u>16,506,582</u>	<u>5,963,720</u>	<u>40,135</u>	<u>22,430,167</u>
Health & Human Services:				
Health	<u>40,229</u>	<u>6,923</u>	<u>-</u>	<u>47,152</u>
Culture and Recreation:				
Library	5,597,084	48,517	-	5,645,601
Parks	1,316,496	521,912	-	1,838,408
Total Culture and Recreation	<u>6,913,580</u>	<u>570,429</u>	<u>-</u>	<u>7,484,009</u>
Conservation and Development:				
Community development	9,145	-	-	9,145
Planning	67,998	-	-	67,998
Total Conservation and Development	<u>77,143</u>	<u>-</u>	<u>-</u>	<u>77,143</u>
Total governmental funds capital assets	\$ 45,774,203	\$ 6,917,888	\$ 360,669	\$ 52,331,422

CITY OF FRANKLIN
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities - Agency Funds
Year Ended December 31, 2005

	<u>12/31/04</u> <u>(restated)</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/05</u>
PROPERTY TAX AGENCY FUND				
ASSETS				
Cash and investments	\$ 39,579,405	\$ 72,417,816	\$ 70,371,122	\$ 41,626,099
Receivables				
Taxes receivable	10,132,507	51,664,607	51,509,930	10,287,184
Accounts receivable	41,168	-	41,168	-
Total assets	<u>\$ 49,753,080</u>	<u>\$ 124,082,423</u>	<u>\$ 121,922,220</u>	<u>\$ 51,913,283</u>
LIABILITIES				
Accounts payable	\$ 131,036	\$ 248,676	\$ 131,036	\$ 248,676
Due to other governments	49,622,044	51,664,607	49,622,044	51,664,607
Total liabilities	<u>\$ 49,753,080</u>	<u>\$ 51,913,283</u>	<u>\$ 49,753,080</u>	<u>\$ 51,913,283</u>
OTHER AGENCY FUND				
ASSETS				
Cash and investments	<u>\$ 10,950</u>	<u>\$ 11,387</u>	<u>\$ 9,783</u>	<u>\$ 12,554</u>
LIABILITIES				
Accounts payable	\$ -	\$ 1,619	\$ -	\$ 1,619
Special deposits	10,950	11,387	11,402	10,935
Total liabilities	<u>\$ 10,950</u>	<u>\$ 13,006</u>	<u>\$ 11,402</u>	<u>\$ 12,554</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 39,590,355	\$ 72,429,203	\$ 70,380,905	\$ 41,638,653
Receivables				
Taxes receivable	10,132,507	51,664,607	51,509,930	10,287,184
Accounts receivable	41,168	-	41,168	-
Total assets	<u>\$ 49,764,030</u>	<u>\$ 124,093,810</u>	<u>\$ 121,932,003</u>	<u>\$ 51,925,837</u>
LIABILITIES				
Accounts payable	\$ 131,036	\$ 250,295	\$ 131,036	\$ 250,295
Due to other governments	49,622,044	51,664,607	49,622,044	51,664,607
Special deposits	10,950	11,387	11,402	10,935
Total liabilities	<u>49,764,030</u>	<u>51,926,289</u>	<u>49,764,482</u>	<u>51,925,837</u>
Total net assets	<u>\$ -</u>	<u>\$ 72,167,521</u>	<u>\$ 72,167,521</u>	<u>\$ -</u>

STATISTICAL SECTION

Statistical Section

This part of the City of Franklin's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Financial Trends

Table 1

These tables contain trend information to help the reader understand how the City's financial performance and well being have changed over time.

Revenue Capacity

Table 5

These tables contain trend information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

Table 10

These tables present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

Table 13

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

Table 15

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Table 1

CITY OF FRANKLIN
Net Assets by Component
Last Three Years
(accrual basis of accounting)

	Fiscal Year		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
		Restated	Restated
Governmental activities			
Invested in capital assets, net of related debt	\$ 1,634,674	\$ (5,824,448)	\$ (18,631,637)
Restricted			
Debt service	-	-	1,167,562
Library	248,174	235,895	140,576
Utility improvements	1,129,596	765,805	1,521,678
Development	2,853,329	2,743,066	977,495
Other purposes	236,147	147,544	110,895
Unrestricted	<u>10,242,063</u>	<u>8,907,518</u>	<u>10,484,263</u>
Total governmental activities net assets	<u>\$ 16,343,983</u>	<u>\$ 6,975,380</u>	<u>\$ (4,229,168)</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 85,098,937	\$ 81,402,130	\$ 66,424,389
Restricted			
Utility improvements	-	-	-
Development	-	-	-
Other purposes	178,274	132,035	118,986
Unrestricted	<u>2,380,429</u>	<u>2,020,798</u>	<u>2,253,221</u>
Total business-type activities net assets	<u>\$ 87,657,640</u>	<u>\$ 83,554,963</u>	<u>\$ 68,796,596</u>
Total			
Invested in capital assets, net of related debt	\$ 86,733,611	\$ 75,577,682	\$ 47,792,752
Restricted			
Debt service	-	-	1,167,562
Library	248,174	235,895	140,576
Utility improvements	1,129,596	765,805	1,521,678
Development	2,853,329	2,743,066	977,495
Other purposes	414,421	279,579	229,881
Unrestricted	<u>12,622,492</u>	<u>10,928,316</u>	<u>12,737,484</u>
Total net assets	<u>\$ 104,001,623</u>	<u>\$ 90,530,343</u>	<u>\$ 64,567,428</u>

Note Infrastructure for the years prior to 2003 was not included in the 2003 - 2005 totals

Table 2

CITY OF FRANKLIN

Changes in Net Assets, Last Three Years
(accrual basis of accounting)

	Fiscal Year		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
		(Restated)	(Restated)
Expenses			
Governmental activities:			
General government	\$ 2,588,256	\$ 2,535,943	\$ 2,560,386
Public safety	13,533,975	13,054,488	12,344,323
Public works	4,673,462	4,152,452	3,581,846
Health and human services	510,520	538,850	574,163
Culture and recreation	1,561,066	1,428,499	1,290,360
Conservation and development	666,277	498,096	451,957
Interest on long term debt	2,204,881	2,345,610	2,600,130
Total governmental activities expenses	<u>25,738,437</u>	<u>24,553,938</u>	<u>23,403,165</u>
Business-type activities			
Water	3,307,057	2,572,320	2,528,709
Sewer	<u>2,349,419</u>	<u>2,143,916</u>	<u>2,032,336</u>
Total business-type activities expenses	<u>5,656,476</u>	<u>4,716,236</u>	<u>4,561,045</u>
Total expenses	<u>\$ 31,394,913</u>	<u>\$ 29,270,174</u>	<u>\$ 27,964,210</u>
Program Revenue			
Governmental activities:			
Charges for services:			
General government	\$ 148,803	\$ 195,401	\$ 199,732
Public safety	2,715,134	2,478,751	2,238,099
Public works	1,543,476	1,473,029	1,344,447
Health and human services	91,767	61,273	46,549
Culture and recreation	212,301	201,129	229,366
Conservation and development	72,864	116,390	114,278
Operating grants and contributions	1,838,699	1,886,800	1,623,847
Capital grants and contributions	<u>6,728,526</u>	<u>10,048,400</u>	<u>5,465,904</u>
Total governmental activities program revenue	<u>13,351,570</u>	<u>16,461,173</u>	<u>11,262,222</u>
Business-type activities			
Charges for services:			
Water	3,815,195	2,810,730	3,098,124
Sewer	<u>1,732,737</u>	<u>1,515,084</u>	<u>1,508,987</u>
Capital grants and contributions	<u>3,181,334</u>	<u>13,431,131</u>	<u>3,292,803</u>
Total business-type activities program revenue	<u>8,729,266</u>	<u>17,756,945</u>	<u>7,899,914</u>
Total program revenue	<u>\$ 22,080,836</u>	<u>\$ 34,218,118</u>	<u>\$ 19,162,136</u>

continued

Table 2
(concluded)

CITY OF FRANKLIN

Changes in Net Assets, Last Three Years (accrual basis of accounting)

	Fiscal Year		
	<u>2005</u>	<u>2004</u> (Restated)	<u>2003</u> (Restated)
Net (Expense)/Revenue			
Governmental activities	\$ (12,386,867)	\$ (8,092,765)	\$ (12,140,943)
Business-type activities	<u>3,072,790</u>	<u>13,040,709</u>	<u>3,338,869</u>
Total net expense	<u>\$ (9,314,077)</u>	<u>\$ 4,947,944</u>	<u>\$ (8,802,074)</u>
General Revenue and other Changes in Net Assets			
Governmental activities:			
Property taxes levied for general purposes	\$ 14,576,053	\$ 13,397,596	\$ 12,873,459
Property taxes levied for debt service	2,310,000	2,410,211	2,610,624
Property taxes levied for TIF Districts	2,919,738	2,729,979	2,631,082
Other taxes	381,116	376,038	352,280
Intergovernmental revenue not restricted to specific programs	1,271,794	1,335,925	1,593,937
Investment earnings	1,111,774	516,683	573,903
Miscellaneous revenue	119,276	164,526	233,884
Transfers	<u>(934,281)</u>	<u>(1,633,645)</u>	<u>(1,583,871)</u>
Total governmental activities	<u>21,755,470</u>	<u>19,297,313</u>	<u>19,285,298</u>
Business-type activities:			
Investment earnings	44,096	18,455	18,399
Miscellaneous revenue	51,510	65,558	53,774
Transfers	<u>934,281</u>	<u>1,633,645</u>	<u>1,583,871</u>
Total business-type activities	<u>1,029,887</u>	<u>1,717,658</u>	<u>1,656,044</u>
Total	<u>\$ 22,785,357</u>	<u>\$ 21,014,971</u>	<u>\$ 20,941,342</u>
Change in Net Assets			
Governmental activities	\$ 9,368,603	\$ 11,204,548	\$ 7,144,355
Business-type activities:	<u>4,102,677</u>	<u>14,758,367</u>	<u>4,994,913</u>
Total	<u>\$ 13,471,280</u>	<u>\$ 25,962,915</u>	<u>\$ 12,139,268</u>

Table 3

CITY OF FRANKLIN

Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

		Fiscal Year									
		2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
General Fund											
Reserved for:											
Inventories and prepaid items	\$	38,391	\$ 28,928	\$ 13,691	\$ 20,876	\$ 12,355	\$ 18,950	\$ 13,479	\$ 25,520	\$ 70,377	\$ 43,428
Encumbrances		19,000	103,000	-	90,000	102,000	53,000	119,500	35,000	42,963	24,076
Advances to other funds		-	-	-	1,200,000	-	-	-	-	-	-
Unreserved		6,411,669	6,150,910	6,092,549	4,236,941	4,624,529	4,882,489	3,767,517	3,483,639	2,930,809	2,659,852
Total general fund		6,469,060	6,282,838	6,106,240	5,547,817	4,738,884	4,954,439	3,900,496	3,544,159	3,044,149	2,727,356
All other government funds											
Reserved for:											
Encumbrances and prepaids		211,032	16,000	22,000	120,000	1,608,000	3,346,743	1,909,181	180,579	40,503	870,792
Advances to other funds		6,717,987	-	-	-	-	-	-	-	-	-
Subsequent years expenditures		623,142	208,274	101,096	1,380,000	1,513,971	4,669,590	293,171	274,896	403,586	234,563
Subsequent years debt service		2,001,554	126,566	1,572,038	2,177,942	1,397,596	1,445,005	1,622,485	1,531,724	986,360	2,623,934
Emergency medical services		16,624	11,261	14,334	11,035	10,329	5,107	13,691	22,017	17,908	14,770
Utility improvements		1,129,596	765,805	1,521,678	2,379,691	2,425,482	2,552,082	2,455,853	2,028,873	1,529,167	1,259,313
Development		2,853,329	2,743,066	977,495	706,055	346,290	1,021,678	1,504,150	1,037,465	967,772	695,441
Donations & grants		167,834	136,283	96,561	-	-	-	-	-	-	-
Unreserved, reported in:											
Special revenue funds		218,770	184,079	122,892	217,953	1,510,705	1,762,883	1,703,954	1,655,562	1,494,829	1,217,624
Capital projects funds		5,158,222	3,680,288	4,535,777	1,580,555	3,381,858	743,576	1,173,283	332,954	2,646,260	1,163,362
Total all other government funds		19,098,090	7,871,622	8,963,871	8,573,231	12,194,331	15,546,664	10,675,768	7,064,070	8,086,385	8,079,799
Total fund balances		\$ 25,567,150	\$ 14,154,460	\$ 15,070,111	\$ 14,121,048	\$ 16,933,215	\$ 20,501,103	\$ 14,576,264	\$ 10,608,229	\$ 11,130,534	\$ 10,807,155

* Prior to 2002 the Sanitary Service Fund was accounted for as a Special Revenue Fund. In 2002 it was restated and reported as an Enterprise Fund.

CITY OF FRANKLIN
Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	Fiscal Year									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Revenue										
Taxes	\$ 20,186,907	\$ 16,183,845	\$ 15,836,363	\$ 15,363,328	\$ 14,063,238	\$ 12,347,118	\$ 10,905,928	\$ 10,327,052	\$ 9,610,555	\$ 8,100,008
Intergovernmental revenue	2,917,513	3,065,509	3,067,155	3,051,785	2,430,911	2,477,565	2,625,717	2,396,372	2,061,040	1,861,912
Licenses and permits	1,486,966	1,258,457	1,030,984	1,254,563	1,029,645	993,387	1,093,408	1,105,878	942,388	856,606
Fines, forfeitures and penalties	361,656	397,169	362,638	414,878	440,039	419,194	518,050	291,751	277,801	252,001
Public charges for services	2,087,870	2,063,984	1,883,878	1,642,046	2,980,283	2,896,031	2,247,268	2,153,083	1,996,825	1,947,375
Special assessments	3,620,814	3,787,927	3,213,453	2,230,968	2,068,979	1,714,101	1,717,424	1,935,061	1,849,619	1,620,758
Intergovernmental charges for services	591,834	575,009	628,953	607,395	592,155	574,219	563,627	535,871	542,514	522,222
Investment earnings	1,127,163	495,190	604,777	1,472,269	2,492,397	2,692,823	1,631,358	1,584,248	1,720,262	2,330,221
Miscellaneous revenue	806,105	447,992	531,152	5,094	237,862	230,000	151,200	147,000	147,000	147,000
Total revenue	33,186,828	28,275,082	27,159,353	26,042,326	26,335,509	24,344,438	21,453,980	20,476,316	19,148,004	17,658,103
Expenditures										
Current										
General government	2,314,862	2,262,025	2,293,969	2,069,034	2,442,096	2,394,779	2,152,603	2,031,206	1,851,567	1,995,709
Public safety	12,677,768	12,109,107	11,250,298	10,589,766	9,739,870	8,552,675	7,745,359	7,253,571	6,233,501	5,746,680
Public works	3,746,773	3,580,392	3,395,468	3,134,753	4,654,552	4,118,938	3,723,049	3,605,266	3,414,159	3,195,235
Health and human services	499,496	531,422	558,538	496,220	463,430	410,470	404,047	370,082	328,421	320,294
Culture, recreation and education	1,270,440	1,135,822	1,075,349	1,081,661	938,043	747,812	686,083	662,658	616,823	548,598
Conservation and development	654,928	378,216	434,087	382,853	519,149	408,818	367,056	263,411	260,131	252,246
Capital outlay	3,735,408	2,248,893	1,497,147	5,834,266	16,697,369	8,490,538	7,525,477	4,157,325	2,668,239	6,709,376
Debt service										
Principal	4,215,000	4,000,000	2,660,000	2,050,000	2,800,000	2,210,000	2,005,000	1,980,000	1,640,000	2,190,000
Interest	2,123,340	1,311,211	1,461,563	1,519,296	1,648,888	1,085,569	727,271	675,128	725,474	1,772,715
Debt issuance costs	46,250	-	-	-	-	-	-	-	-	-
Total expenditures	31,284,265	27,557,088	24,626,419	27,157,849	39,903,397	28,419,599	25,335,945	20,998,647	17,738,315	22,730,853
Excess of revenue over (under) expenditures	1,902,563	717,994	2,532,934	(1,115,523)	(13,567,888)	(4,075,161)	(3,881,965)	(522,331)	1,409,689	(5,072,750)
Other financing sources (uses)										
Debt issued	10,000,000	-	-	-	20,000,000	10,000,000	7,850,000	-	-	8,531,696
Premium on debt issued	204,561	-	-	-	(10,000,000)	-	-	-	-	(3,165,718)
Principal payment on current refunding	-	-	-	-	4,588,401	3,364,154	1,376,635	1,057,769	1,559,422	2,892,028
Transfers in	3,486,467	3,273,639	7,213,563	1,389,971	(4,588,401)	(3,364,154)	(1,376,635)	(1,057,769)	(1,559,422)	(2,892,028)
Transfers out	(4,420,748)	(4,907,284)	(8,797,434)	(1,389,971)	(4,588,401)	(3,364,154)	(1,376,635)	(1,057,769)	(1,559,422)	(2,892,028)
Net change in fund balances	\$ 11,172,843	\$ (915,651)	\$ 949,063	\$ (1,115,523)	\$ (3,567,888)	\$ 5,924,839	\$ 3,968,035	\$ (522,331)	\$ 1,409,689	\$ 293,228
Debt service as a percentage of non capital expenditures	23.0%	21.0%	17.8%	16.7%	19.2%	16.5%	15.3%	15.8%	15.7%	24.7%

CITY OF FRANKLIN

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Years

Value As of 1/1	Real property		Personal property		Total Assessed value	Total Direct Tax Rate	Total Estimated actual value	Ratio of Assessed to Estimated value
	Assessed value	Estimated actual value	Assessed value	Estimated actual value				
2005	\$ 2,617,341,900	\$ 2,955,304,500	\$ 64,650,760	\$ 75,511,400	\$ 2,681,992,660	\$ 6.83	\$ 3,030,815,900	88.49%
2004	2,490,166,000	2,631,564,000	50,652,170	50,381,500	2,540,818,170	6.95	2,681,945,500	94.74%
2003 *	2,372,417,000	2,341,523,800	55,465,640	59,241,700	2,427,882,640	6.80	2,400,765,500	101.13%
2002	1,941,915,300	2,163,203,000	53,763,740	59,807,500	1,995,679,040	8.17	2,223,010,500	89.77%
2001	1,879,099,900	1,972,111,000	51,974,570	54,560,300	1,931,074,470	8.06	2,026,671,300	95.28%
2000 *	1,799,970,800	1,820,406,200	50,301,130	51,132,100	1,850,271,930	7.61	1,871,538,300	98.86%
1999	1,567,625,300	1,665,355,900	46,380,610	48,548,400	1,614,005,910	7.59	1,713,904,300	94.17%
1998 *	1,476,480,400	1,477,089,900	44,525,240	48,421,900	1,521,005,640	7.05	1,525,511,800	99.70%
1997	1,307,500,700	1,391,832,800	36,013,030	34,377,200	1,343,513,730	7.42	1,426,210,000	94.20%
1996 *	1,243,094,700	1,209,618,300	28,785,500	29,594,500	1,271,880,200	7.16	1,239,212,800	102.64%

* Reassessment year

Assessed Valuation by School District - 2005

	Franklin School District		Oak Creek/ Franklin School District		Whitnall School District		Total
Within sewerage district	\$ 1,958,085,200	\$ 434,368,330	\$ 192,522,610				\$ 2,584,976,140
Outside sewerage district	76,207,990	20,808,530	-				97,016,520
Total	\$ 2,034,293,190	\$ 455,176,860	\$ 192,522,610				\$ 2,681,992,660

Note: Assessed values are determined by the City and the Wisconsin Department of Revenue. Estimated actual values were obtained from the Wisconsin Department of Revenue and include Wisconsin Section 70.57 adjustments. Taxes collected are used in the following year's City operations.

CITY OF FRANKLIN

Estimated Actual Property Value and Construction Data
Last Ten Years

Fiscal year	(1)				(2)			
	Estimate Actual Property value				Residential Construction		Nonresidential Construction	
	Residential	Commercial and Manufacturing	Agricultural, Swamp and Other	Total	# of Units	Value	# of Permits	Value
2005	\$ 2,236,076,000	\$ 696,096,000	\$ 23,132,500	\$ 2,955,304,500	458	\$ 86,085,165	49	\$ 49,075,431
2004	2,012,614,000	594,978,200	23,971,800	2,631,564,000	503	74,586,030	55	14,352,822
2003	1,787,275,700	530,582,600	23,665,500	2,341,523,800	349	48,274,386	16	47,915,016
2002	1,670,088,100	468,985,700	24,129,200	2,163,203,000	333	46,788,277	41	99,018,727
2001	1,512,872,800	436,680,100	22,558,100	1,972,111,000	362	48,697,266	49	18,557,129
2000	1,371,755,900	428,038,100	20,612,200	1,820,406,200	391	45,645,198	67	15,310,444
1999	1,285,963,000	355,905,700	23,487,200	1,665,355,900	455	54,801,996	82	24,059,762
1998	1,154,902,500	299,542,300	22,645,100	1,477,089,900	353	43,582,213	68	42,380,268
1997	1,107,506,048	266,794,565	17,532,187	1,391,832,800	362	38,315,063	55	22,284,483
1996	972,705,893	221,681,233	15,231,174	1,209,618,300	449	39,641,832	69	15,330,768

(1) Estimated actual values from the Wisconsin Department of Revenue

(2) Source: City's Building Inspection Department.

CITY OF FRANKLIN

Direct and Overlapping Property Tax Rates
Last Ten Years
(rate per \$1,000 of assessed value)

Budget year	City of Franklin Direct Rates										Overlapping Rates				
	Debt					Capital Equipment					Milwaukee Area				
	General	Library	Service	Outlay	Total	Revolving	Street	Franklin	Oak Creek	Whitnall	School Credits	Technical College	Milwaukee County	Metropolitan Sewerage District	State
2006	\$ 5.00	\$ 0.42	\$ 0.86	\$ 0.10	\$ 6.83	\$ 0.15	\$ 0.30	\$ 12.01	\$ 8.90	\$ 10.32	\$ (1.40)	\$ 2.13	\$ 4.81	\$ 1.60	\$ 0.21
2005	5.06	0.40	0.95	0.14	6.95	0.10	0.30	12.61	7.93	11.30	(1.50)	2.05	4.81	1.62	0.21
2004 *	4.88	0.38	1.04	0.09	6.80	0.11	0.30	12.74	8.42	10.80	(1.55)	1.95	4.72	1.57	0.20
2003	5.67	0.45	1.37	0.20	8.17	0.14	0.34	13.86	10.19	12.71	(1.92)	2.24	5.67	1.89	0.22
2002	5.32	0.43	1.52	0.26	8.06	0.25	0.28	14.50	9.95	12.52	(1.99)	2.13	5.65	1.78	0.21
2001 *	5.80	-	1.25	-	7.61	0.36	0.20	13.89	8.98	13.22	(2.10)	2.05	5.60	1.72	0.20
2000	5.87	-	1.14	-	7.59	0.37	0.21	16.19	9.13	13.48	(2.39)	2.17	5.83	1.81	0.21
1999 *	5.34	-	1.13	-	7.05	0.36	0.22	16.68	9.26	13.43	(2.39)	2.00	5.68	1.70	0.20
1998	5.47	-	1.31	-	7.42	0.40	0.24	17.25	10.72	14.16	(2.46)	2.15	6.09	1.79	0.21
1997 *	5.46	-	1.33	-	7.16	0.37	-	17.50	9.60	13.59	(2.68)	1.94	5.50	1.65	0.19

* Reassessment impact

Note: Residents are assessed only the school tax rate for the District they reside in.
See Table 5 for assessed values by School District.

Source: City of Franklin Budget documents

CITY OF FRANKLIN

Principal Property Tax Payers
Current year and Nine Years Ago

	2005				1996			
	Type of Business	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	
Nothwestern Mutual	Insurance Services	\$ 72,734,560	1	2.86%	\$ -	-	-	
Whitnall Pointe Apartments	Apartments	18,927,640	2	0.74%	16,184,300	1	1.27%	
Manchester Oaks	Apartments	18,628,030	3	0.73%	14,512,000	2	1.14%	
Wal-Mart	Retailer	16,455,000	4	0.65%	11,719,900	3	0.92%	
Waste Management	Landfill and refuse collection	15,747,740	5	0.62%	8,394,000	5	0.66%	
Harley Davidson	Motorcycle manufacturing	13,708,100	6	0.54%	-	-	-	
Mission Hills Apts	Apartments	13,606,620	7	0.54%	8,192,500	6	0.64%	
Menard Inc	Retail shopping	12,458,030	8	0.49%	6,733,700	7	0.53%	
All Glass Aquarium	Aquariums and fluorescent lights	11,160,600	9	0.44%	-	-	-	
Covenant Healthcare	Medical Clinic	10,264,400	10	0.40%	9,825,600	4	0.77%	
	and high speed filler							
Franklin Plaza	Retail shopping	-	-	-	6,205,800	8	0.49%	
O'Braun Corporation	Retail shopping	-	-	-	5,901,400	9	0.46%	
Tuckaway Country Club	Golf Course	-	-	-	5,261,700	10	0.41%	
		\$ 203,690,720		8.02%	\$ 92,930,900		7.29%	

Source: City of Franklin Assessor's Office

Table 9

CITY OF FRANKLIN
Property Tax Levies and Collections
Last Ten Years

Fiscal year	City Tax levy			Total collections	% of levy collected	Outstanding combined delinquent PP taxes
	Tax increment financing	Local	Total			
2005	\$ 2,925,386	\$ 16,899,300	\$ 19,824,686	\$ 19,811,739	99.93%	\$ 52,998
2004	2,729,979	15,813,611	18,543,590	18,537,786	99.97%	65,425
2003	2,631,082	15,606,851	18,237,933	18,115,165	99.33%	57,488
2002	2,686,561	14,861,543	17,548,104	17,483,984	99.63%	83,606
2001	2,220,643	13,487,899	15,708,542	15,717,957	100.06%	51,020
2000	1,886,513	11,780,580	13,667,093	13,668,358	100.01%	32,365
1999	1,434,790	10,369,960	11,804,750	11,781,618	99.80%	42,827
1998	799,660	9,782,325	10,581,985	10,577,203	99.95%	40,742
1997	159,352	9,078,570	9,237,922	9,238,633	100.01%	32,226
1996	126,691	7,471,969	7,598,660	7,594,826	99.95%	30,740

Source: City of Franklin

Notes: Collections in subsequent years are not shown because Milwaukee County annually purchases all of the City's outstanding delinquent real estate taxes. Payment for the real estate taxes are received by the City every August pursuant to the County's settlement procedures. Outstanding delinquent taxes represent personal property taxes which the City attempts further collection until March of the following year. At that time the balances are charged back to each of the taxing jurisdictions in proportion to the amounts levied. Subsequent collections are insignificant and refunded to all taxing jurisdictions in relation to the amounts originally levied.

Total collections may be greater than or less than the total levy in any year due to changes in outstanding delinquent taxes, collection of prior year omitted taxes and Wisconsin Section 70.43 corrections.

CITY OF FRANKLIN

Ratios of Net General Bonded Debt Outstanding
Last Ten Years

Fiscal year	General Bonded Debt										(1)		Per Capita
	Governmental				Business-type		Less Amounts due from Tax			Percent of			
	General Obligations Bonds	General Obligations Notes	Lease Revenue Bonds	Water General Obligations Notes	Total General Bonded Debt	Less Debt Service Balances	Less Amounts due from Incremental Financing Districts	Less Amounts due from Future Development	Net General Bonded Debt	Actual Property Value	Percent of Personal Income		
2005	\$ 9,825,000	\$ 23,075,000	\$ 17,715,000	\$ -	\$ 50,615,000	\$ (8,719,542)	\$ (17,715,000)	\$ (4,754,000)	\$ 19,426,458	0.66%	N/A	597	
2004	10,725,000	14,075,000	20,030,000	-	44,830,000	(126,566)	(20,030,000)	(4,943,000)	19,730,434	0.75%	2.21%	620	
2003	11,075,000	17,725,000	22,270,000	-	51,070,000	(1,572,038)	(22,270,000)	(5,028,767)	22,199,195	0.95%	2.58%	705	
2002	11,425,000	20,035,000	23,570,000	940,000	55,970,000	(2,177,942)	(23,570,000)	(5,132,500)	25,089,558	1.16%	3.00%	816	
2001	11,750,000	21,760,000	24,655,000	990,000	59,155,000	(1,397,696)	(24,655,000)	-	33,102,304	1.68%	4.15%	1,096	
2000	2,050,000	24,260,000	25,270,000	1,040,000	52,620,000	(1,445,005)	(25,270,000)	-	25,904,995	1.42%	3.06%	878	
1999	2,350,000	16,170,000	25,645,000	1,085,000	45,250,000	(1,622,485)	(25,645,000)	-	17,982,515	1.08%	2.45%	647	
1998	2,650,000	10,025,000	26,210,000	1,130,000	40,015,000	(1,531,724)	(26,210,000)	-	12,273,276	0.83%	1.81%	451	
1997	2,950,000	11,705,000	24,435,000	1,175,000	40,265,000	(986,360)	(24,435,000)	-	14,843,640	1.07%	2.39%	558	
1996	3,250,000	13,045,000	18,495,000	1,210,000	36,000,000	(2,623,934)	(18,495,000)	-	14,881,066	1.23%	2.62%	578	

(1) Estimate Actual Property value are found in Table 6

(2) Population and personal income can be found in Table 13

Notes: In 2005 the City issued \$10,000,000. The proceeds were used to provide funding for two new TIF Districts and public works projects

In 2002 th City established an impact fee ordinance that allows for new development to pay for a portion of the police station, fire station and library

In 2001 the City issued \$10,000,000. The proceeds were used for building a new library, fire station and public works projects

In 2000 the City issued \$10,000,000. The proceeds were used for building a new police station

In 1999 the City issued \$7,850,000. The proceeds were used for public works projects

CITY OF FRANKLIN
SCHEDULE OF DIRECT AND OVERLAPPING DEBT
 December 31, 2005

Jurisdiction	Net general obligation bonded debt outstanding		Percentage applicable to City		Amount applicable to City				
	\$				\$				
Milwaukee County	469,707,711		5.2990%		24,889,812				
Whitnall School District	8,365,664		14.2270%		1,190,187				
Oak Creek - Franklin School District	34,765,000		16.0281%		5,572,164				
Franklin School District	22,100,000		100.0000%		22,100,000				
Milwaukee Area Technical College	75,165,000		4.3289%		3,253,837				
Milwaukee Metropolitan Sewerage District	725,020,252		5.2157%		37,814,976				
Total Overlapping Debt	1,335,123,627				94,820,976				
City of Franklin	32,900,000		100.0000%		32,900,000				
Total	\$ 1,368,023,627				\$ 127,720,976				
History	Milwaukee County		School Districts		Overlapping Debt Total		City of Franklin		Total
		Franklin	Whitnall	Oak Creek/Franklin		MMSD		Franklin	
2005	\$ 24,889,812	\$ 22,100,000	\$ 1,190,187	\$ 5,572,164	\$ 3,253,837	\$ 37,814,976	\$ 94,820,976	\$ 32,900,000	\$ 127,720,976
2004	24,242,972	24,505,000	984,609	4,397,036	3,067,016	34,910,053	92,106,686	24,800,000	116,906,686
2003	23,590,876	26,800,000	1,085,129	3,890,811	3,105,710	32,092,924	90,565,450	28,800,000	119,365,450
2002	24,017,363	28,970,000	1,217,714	4,182,879	3,138,871	26,420,585	87,947,412	32,400,000	120,347,412
2001	23,253,427	31,050,000	1,291,253	4,270,581	3,180,458	24,232,203	87,277,922	34,500,000	121,777,922
2000	23,732,320	32,330,000	1,538,775	1,369,729	3,118,897	19,375,672	81,465,393	27,350,000	108,815,393
1999	21,314,924	34,201,668	1,587,855	1,596,901	3,141,971	18,397,065	80,240,384	19,605,000	99,845,384
1998	21,385,757	36,185,689	494,994	1,425,085	2,428,633	17,867,853	79,788,011	13,805,000	93,593,011
1997	20,640,283	37,166,140	810,533	1,501,225	2,451,219	17,835,246	80,404,646	15,830,000	96,234,646
1996	18,575,213	19,873,389	873,132	1,414,899	2,331,025	23,764,865	66,832,523	17,505,000	84,337,523

Source: Debt information supplied by each taxing jurisdiction and applicable percentages from the State Department of Revenue.

Note: Debt outstanding provided by each governmental unit and percentage determined by the Department of Revenue. Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the resident and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping district.

Table 12

CITY OF FRANKLIN
COMPUTATION OF LEGAL DEBT MARGIN
Last Ten Years

<u>Fiscal year</u>	<u>(1) Equalized Valuation</u>	<u>5% of Equalized Value</u>	<u>Total Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Percent Used</u>
2005	\$ 3,030,815,900	\$ 151,540,795	\$ 32,900,000	\$ 118,640,795	21.71%
2004	2,681,945,500	134,097,275	24,800,000	109,297,275	18.49%
2003	2,400,765,500	120,038,275	28,800,000	91,238,275	23.99%
2002	2,223,010,500	111,150,525	32,400,000	78,750,525	29.15%
2001	2,026,671,300	101,333,565	34,500,000	66,833,565	34.05%
2000	1,871,538,300	93,576,915	27,350,000	66,226,915	29.23%
1999	1,713,904,300	85,695,215	19,605,000	66,090,215	22.88%
1998	1,525,511,800	76,275,590	13,805,000	62,470,590	18.10%
1997	1,426,210,000	71,310,500	15,830,000	55,480,500	22.20%
1996	1,239,212,800	61,960,640	17,505,000	44,455,640	28.25%

(1) From Table 5

Note: Under state statutes the City's outstanding general obligation debt may not exceed five percent of total equalized property value.

Table 13

CITY OF FRANKLIN

Demographic and Economic Statistics
Last Ten Years

Fiscal year	(1) Population	(2)		(3)					
		Personal Income	Per capita adjusted gross income		Unemployment rates				
			City of Franklin	Milwaukee County	State of Wisconsin	City of Franklin	Milwaukee County	State of Wisconsin	
2005	32,548	N/A	N/A	N/A	N/A				
2004	31,804	893,501,576	28,094	18,240	21,055				
2003	31,467	859,395,237	27,311	17,900	20,606				
2002	30,749	836,126,808	27,192	17,492	19,809				
2001	30,199	796,951,610	26,390	18,082	20,091				
2000	29,494	846,536,788	28,702	18,067	20,503				
1999	27,780	733,225,320	26,394	17,400	19,657				
1998	27,186	678,616,932	24,962	16,342	18,275				
1997	26,591	620,846,668	23,348	15,389	17,040				
1996	25,726	567,103,944	22,044	14,235	15,859				

(1) Bureau of Census, State of Wisconsin

(2) Wisconsin Department of Revenue, Division of Research and Analysis

(3) Wisconsin Department of Workforce Development

N/A Not Available

CITY OF FRANKLIN

Principal Employers

Current year and Nine Years Ago

Taxpayer	Type of Business	2005				1996			
		Employees	Rank	Percent of Total City Employment	Taxable Assessed Value	Rank	Percent of Total City Employment	Taxable Assessed Value	Rank
Nothwestern Mutual	Insurance Services	800	1	4.61%	-	-	-	-	-
Franklin Public Schools	K-12 Education	541	2	3.12%	497	2	3.93%	497	2
Milwaukee County									
House of Correction	Government	450	3	2.59%	258	4	2.04%	258	4
General Automotive Mfg LLC	Off-road engine components	400	4	2.30%	-	-	-	-	-
Krones, Incorporated	High speed labeling machines and high speed filler	400	5	2.30%	690	1	5.45%	690	1
Waste Management	Landfill and refuse collection	340	6	1.96%	-	-	-	-	-
Wal-Mart	Retailer	280	7	1.61%	270	3	2.13%	270	3
All Glass Aquarium	Aquariums and fluorescent lights	280	8	1.61%	228	6	1.80%	228	6
City of Franklin	Government	259	9	1.49%	243	5	1.92%	243	5
BD Medical Systems	Medical devises/syninges	220	10	1.27%	-	-	-	-	-
Pick & Save	Retail grocery store	-	-	-	215	7	1.70%	215	7
Menards	Home Improvement Center	-	-	-	185	8	1.46%	185	8
Pick & Save	Retail grocery store	-	-	-	120	9	0.95%	120	9
Sam's Club	Wholesale discount store	-	-	-	115	10	0.91%	115	10
		\$ 3,970		22.87%	\$ 2,821		22.30%	\$ 2,821	

Source: Past Debt offering Official Statements and employer surveys

CITY OF FRANKLIN

Full-time Equivalent City Government Employees by Function
Last Ten Years

Department	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
General Government											
Common Council	0.48										
Municipal Buildings	2.00	0.50	0.45	0.45	0.45	0.20	0.20	0.20	0.20	0.20	0.20
Clerk	3.50	3.50	3.50	3.50	3.50	3.50	3.50	5.50	5.00	5.00	4.71
Information Services	-	-	-	-	-	1.00	2.00	1.00	1.00	1.00	1.00
Administration ³	3.80	3.75	3.25	3.00	3.00	3.00	3.00	-	-	-	-
Finance ³	7.30	7.45	7.45	7.18	7.38	7.38	7.33	6.76	6.74	6.74	6.74
Assessor	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Municipal Buildings	4.90	4.68	4.68	5.06	4.56	4.06	3.06	2.58	2.58	2.28	2.29
Total General Government	22.98	20.88	21.33	21.19	20.89	21.14	21.09	18.04	17.52	17.22	16.94
Public Safety											
Police	77.25	78.75	78.75	78.75	78.75	76.75	76.50	71.50	66.50	58.50	51.00
Fire	44.00	44.00	44.00	44.00	44.50	44.00	38.00	34.50	31.50	31.50	28.50
Paid on Call Fire **	-	-	-	-	6.00	6.00	21.00	35.00	45.00	31.00	28.00
Building Inspection	10.00	12.00	11.00	12.00	11.00	11.00	11.00	10.38	9.38	8.00	8.00
Total Public Safety	131.25	134.75	133.75	134.75	140.25	137.75	146.50	151.38	152.38	129.00	115.50
Public Works											
Engineering	9.80	9.80	9.80	9.80	9.80	9.80	8.70	8.70	7.35	7.35	7.35
Highway	22.00	22.00	21.00	22.00	21.00	19.75	19.75	18.75	16.75	15.75	14.75
Parks	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	0.25
Total Public Works	33.05	33.05	32.05	33.05	32.05	30.80	29.70	28.70	25.35	24.35	22.35
Public Health	6.50	6.50	6.35	6.35	6.35	6.16	6.16	6.10	6.00	6.00	5.85
Community Development ³	6.60	6.60	5.21	6.49	5.84	5.09	5.15	3.90	3.95	3.76	3.38
Total General Fund	200.38	201.78	198.69	201.83	205.38	200.94	208.60	208.12	205.20	180.33	164.02
Public Health - Grant	-	0.25	0.60	0.60	0.60	0.60	-	-	-	-	-
Library	16.92	16.10	15.59	15.04	15.29	12.81	11.77	10.15	10.37	9.50	7.38
Sewer & Water	12.85	11.10	10.80	9.80	10.75	9.75	9.75	8.75	8.75	8.75	8.75
Total (including paid on call)	230.15	229.23	225.68	227.27	232.02	224.10	230.12	227.02	224.32	198.58	180.15
Total FTE's	230.15	229.23	225.68	227.27	226.02	218.10	209.12	192.02	179.32	167.58	152.15

¹ Prior to 2000 this was the Administrator/Clerk Department and included the Administration and Human Resource position

² Prior to 2001 the Library was part of the General Fund

³ Includes Human Resources, Treasury and Planning previously were separate departments

Source: City of Franklin Budget Document

CITY OF FRANKLIN

Operating Indicators by Function/Program
Last Ten Years

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Police										
Part 1 Crimes	775	765	822	681	754	743	743	726	750	635
Arrests	1,954	1,754	1,682	1,817	2,282	2,114	1,772	1,552	1,390	1,400
Traffic Citations	5,682	6,740	5,403	6,460	6,882	7,181	5,191	3,706	3,071	3,006
Parking Citations	1,892	1,892	1,732	1,899	1,919	1,787	1,492	1,739	1,102	1,105
Call to Dispatch	81,000	81,790	87,053	82,488	83,268	79,654	73,486	68,595	59,043	57,043
Number of sworn officers	59	59	59	59	59	55	55	50	45	39
Fire										
Fire Responses	575	557	531	463	510	559	551	495	413	347
EMS Responses	2,325	2,225	2,114	2,235	2,163	1,896	1,653	1,409	1,272	1,267
Fire Inspections	1,950	1,800	1,770	1,610	1,593	1,376	1,436	1,203	1,145	913
Number of full-time firefighters	43	43	43	43	43	37	33	30	30	27
Number of paid on call firefighters	-	-	-	6	6	21	35	45	31	28
Highway										
Miles of crack sealing	21	17	21	15	19	12	11	10	7	7
Tress pruned	1,000	988	1,101	1,000	1,058	852	299	150	564	595
Vehicles maintained	150	150	149	147	145	140	130	123	98	42
Solid Waste										
Non-recyclable refuse collected (tons)	6,500	5,274	5,919	6,669	6,992	7,008	7,013	5,958	5,624	6,064
Recyclables collected (tons)	2,800	3,097	2,420	2,810	2,451	2,502	2,307	2,372	3,126	2,115
Yard Waste (tons)	300	246	277	282	84	250	175	294	100	201
Health										
Home Visits	750	946	660	605	690	817	913	818	760	680
Immunization Clinic visits	3,000	2,550	3,088	2,877	2,376	2,678	2,886	3,095	3,134	1,728
Sanitarian Inspections	450	454	483	420	430	446	408	365	324	283
Animal Control										
Animal Control Pickups	190	214	175	193	190	170	174	186	N/A	N/A
Library										
Circulation	450,000	434,568	400,986	350,000	269,549	231,220	200,657	176,565	161,394	156,624
Library visits	180,000	180,000	150,000	140,000	118,000	116,688	106,392	101,746	98,742	95,614
Internet use	42,000	39,059	35,050	21,145	8,133	7,067	4,318	-	-	-
Sanitary Sewer										
Number of Customers	8,920	8,769	8,580	8,380	8,075	7,794	7,561	7,219	6,990	N/A
Feet of sewer cleaned	250,000	222,461	247,681	217,000	230,000	314,500	224,120	227,040	267,513	158,647
Water										
Number of Customers	6,675	5,311	4,695	4,670	4,572	4,460	3,931	3,640	3,424	N/A
Average daily consumption	2,519,000	1,929,000	1,864,000	1,875,000	1,815,000	1,618,000	1,602,000	1,360,000	1,219,000	N/A
Peak daily Consumption	5,737,376	4,612,000	5,270,000	5,063,000	5,159,000	2,589,000	3,422,000	4,044,000	4,157,000	N/A

Source: City Budget Document

CITY OF FRANKLIN

Capital Asset Statistics by Function/Program
Last Ten Years

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Area in square miles	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Area in acres:										
Total acres	22,180	22,180	22,180	22,180	22,180	22,180	22,180	22,180	22,180	22,180
Taxable acres (approximate)	17,700	17,700	17,700	17,700	17,300	17,300	17,300	17,300	17,300	17,300
Acres developed (approximate)	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200	6,200
Acres in park and open space	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Miles of road:										
State	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85	16.85
County	23.74	23.74	23.74	23.74	23.74	23.14	23.14	23.14	23.14	23.14
Local	162.78	159.85	155.68	152.55	150.89	149.29	147.48	138.38	134.24	134.24
Fire protection and ambulance service:										
Number of manned fire stations	3	3	3	3	3	2	2	2	2	2
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of sub stations	1	1	1	1	1	1	1	1	1	1
Sewer and water service:										
Miles of sanitary sewer	169	166	157	153	144	144	143	141	135	N/A
Miles of watermain	119	113	103	98	89	89	82	78	74	68
Number of fire hydrants	1,828	1,726	1,362	1,295	1,242	1,186	1,084	1,024	959	880
Recreation and culture:										
Number of city parks	11	11	11	11	11	11	10	10	10	10
Number of county parks	8	8	8	8	8	8	8	8	8	8
Number of libraries	1	1	1	1	1	1	1	1	1	1
Municipal Buildings (square footage):										
City Hall	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206	47,206
Law Enforcement building	68,300	68,300	68,300	68,300	-	-	-	-	-	-
Fire Stations	26,480	26,480	26,480	26,480	21,060	21,060	21,060	21,060	21,060	21,060
Library	40,000	40,000	40,000	40,000	-	-	-	-	-	-
Public Works Building	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450	45,450
Sewer & Water Building	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620	6,620

Source: City of Franklin records